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Industrial Development Board

Twenty-second session
Vienna, 30-31 May 2000
Item 4 of the provisional agenda

FINANCING THE INTEGRATED TECHNICAL COOPERATION PROGRAMMES IN DEVELOPING COUNTRIES

Mobilization of financial resources for UNIDO programmes

Report by the Director-General

Reviews the current situation with respect to resource mobilization for implementing integrated technical cooperation programmes and reports on progress made in the dialogue with Member States to actively sustain common resource mobilization efforts.

Introduction

1. In decision IDB.21/Dec.10, the Board, *inter alia*, requested the Director-General to submit a report suggesting ways and means of generating funds to implement technical cooperation programmes, including the revitalization of the Industrial Development Fund. Subsequently, a note by the Director-General on funds mobilization was issued to the General Conference at its eighth session (GC.8/18). In resolution GC.8/Res.1, paragraph 7, the Conference requested the Director-General to continue his dialogue with Member States to actively sustain the common resource mobilization efforts and to report on progress made.

2. The present document should be considered in conjunction with the *Annual Report 1999*, chapter III.E, which reported on the approaches pursued and results achieved in that year with respect to funds mobilization.

I. RECENT DEVELOPMENTS

3. As mentioned in the *Annual Report 1999*, the major development in that year was the effective start of funds mobilization for the integrated programmes. While Member States in general, and donors in particular, have expressed strong support for the integrated programmes, the experience of 1999 demonstrated that, in part, a different approach is needed in cooperating with donors. Similarly, cooperation with the recipient partner countries in the context of integrated programmes is very different from the traditional situation where individual projects were concerned. These normally were developed and implemented in cooperation with a single ministry or national organization and mobilizing funds was considered largely a UNIDO responsibility.

4. On the other hand, integrated programmes consist of a number of mutually supporting components, usually

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involving several ministries and other national organizations, including private sector representative organizations. Components are intended to be mutually supportive and normally include efforts aimed at improving the policy environment for industry, strengthening the support infrastructure including quality systems, assisting networking and the promotion of partnerships as well as complementary environmental measures. Promotion of integrated programmes to donors should involve and be led by the national stakeholders and highlight these strengths and anticipated synergy.

5. With respect to working with donors, it has been found that the concept of integrated programmes and the mutually supporting relation between programme components is well appreciated. Once the concept and components are well explained and certainly when operations start, donor interest in a number of countries has been very good. However, for interest to result in actual funding, extensive consultations—in part at the country level—are required. Two issues are of prime importance in these consultations: (a) the extent to which the programme is (perceived to be) "owned" by the recipient Government and other national stakeholders; and (b) the extent to which the programme and its components are coordinated with, or part of, United Nations-wide coordination mechanisms such as the United Nations Development Assistance Framework (UNDAF). Clearly, a donor would only consider funding components that are within its own priorities.

6. In response to these requirements, a number of new mechanisms aimed at strengthening the funds mobilization processes are being used. Firstly, in a number of cases the national authorities—often the Minister most directly involved—and other stakeholders including representatives of the private sector, supported by the UNIDO team leader and where available the UNIDO representative, present the programme and its components to the donor community in that country. These presentations have usually led to stimulating discussions on the programme and provided a consultation platform. Secondly, special funds mobilization missions are organized, preferably some weeks after the presentation. These special missions, involving the team leader, funds mobilization staff and government staff, have undertaken bilateral consultations with donor representatives in the country as well as representatives of multilateral funds and financing institutions. The objective of the missions is to identify subjects or programme components in which donors are interested, and to defining cooperation modalities. Thirdly, in 1999, two meetings were organized in Vienna with selected groups of United Nations Development Programme (UNDP) Resident Representatives, mainly of countries where an integrated programme has been developed, to discuss mutual priorities and cooperation options. For all programmes, close consultations with UNDP also take place in the field.

7. At UNIDO Headquarters, presentations have been made to Member States both on the integrated programme approach in general and on specific integrated programmes. Similar presentations have been organized at the headquarters of several donors. These have been found essential for proper appreciation and understanding of the approach and have led to a better understanding, and in some cases, to funding. These activities are expected to continue. Other innovative activities to strengthen donor interest and involvement include more active reporting to all participating donors, both at the field level and at Headquarters. In addition to initiatives taken with traditional donors, UNIDO has actively approached the European Commission in a number of promising ways. A UNIDO team visited the Commission to present the overall approach and identify areas of common interest. In addition, consultations at the Headquarters level focused on programmatic cooperation in respect of specific areas or Commission programmes, and presentations on individual integrated programmes were made at the field level to local Commission representatives to identify common interests and options for cooperation. The long-running European Commission/United Nations consultations on the legal and financial modalities of cooperation may be resolved in the near future, thus facilitating administrative and financial arrangements between the Commission and UNIDO.

8. With respect to the recipient country, consultations aim at mobilizing cost-sharing contributions from the recipient country. Such cost-sharing not only adds to programme resources but also strengthens ownership and commitment, demonstrates the high priority attached to the programme, and thereby attracts other contributions. National contributions can take various forms. As a minimum, the Government and other stakeholders provide the staff and facilities to ensure that national organizations can perform their tasks within the programme. In addition, however, cash contributions for the functioning of the programme and for specific components are very important. Another form of co-funding is through the use of loans in place addressing the same objectives, for instance from the World Bank, or through contributing grant aid available to the Government, for instance from UNDP. For several programmes, national contributions have already been received and others identified. These opportunities will be aggressively pursued.

9. Separately from, and in addition to, the funds mobilization activities at the level of the programmes, contributions of a programmable nature are essential. To facilitate a rapid start of activities and to ensure critical parts of the programme that do not easily find special-purpose donor contributions, it is very important that UNIDO be in a position to provide in a flexible manner some part of the total funds required. As the regular budget provides only very limited funding for technical cooperation programmes, a minimum level of

programmable contributions to UNIDO is essential. These can be in the form of contributions to the general-purpose segment of the Industrial Development Fund (IDF) as some Member States have done for many years, or targeted contributions such as the annual contribution from Denmark or the contribution announced during the 1999 General Conference by the United Kingdom of Great Britain and Northern Ireland.

II. ACTION REQUIRED OF THE BOARD

10. The Board may wish to consider adopting the following draft decision:

"The Industrial Development Board,

"(a) Takes note of the information provided by the Director-General on the mobilization of financial resources in document IDB.22/3 as well as in the *Annual Report 1999* (IDB.22/2);

"(b) Considering the importance of adequate funding for the integrated programmes developed by UNIDO, welcomes the innovative actions outlined by the Director-General;

"(c) Requests all Member States, particularly donors, to increase their voluntary contributions to UNIDO, in particular programmable contributions;

"(d) Requests beneficiary countries to share with UNIDO the responsibility for mobilizing funds for programmes in their countries and in particular to make available contributions from bilateral donor funds, including the European Commission and UNDP, and from relevant development finance available from the World Bank and other development finance institutions;

"(e) Requests the Director-General to continue and intensify his efforts to mobilize resources for the implementation of the integrated programmes."

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FINANCING THE INTEGRATED TECHNICAL COOPERATION PROGRAMMES IN DEVELOPING COUNTRIES

Global Environment Facility and technical cooperation activities

Report by the Director-General

Reports on the progress made to implement the activities outlined in resolution GC.8/Res.2 adopted by the General Conference at its eighth session, in compliance with paragraph (f) of that resolution.

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Introduction

1. Following the adoption of resolution GC.8/Res.2 by the General Conference, a review was conducted to determine the strategy for its implementation. In recognition of the emphasis placed by the Conference on the element of collaboration—both with Member States and with other organizations—in implementing the resolution, the approach highlighted the need to develop contacts with organizations, in particular those specified in the resolution.

I. FOLLOW-UP IN VIENNA

2. As a first step, in early February 2000, UNIDO extended an invitation to Permanent Missions to presentations on UNIDO involvement in the Global Environment Facility (GEF), for regional groups on 16 February 2000 and for donor countries on 7 March 2000 respectively. The invitation was accompanied by general background information on GEF, its operational and political focal points as well as its Council members. The presentations were attended by approximately 70 representatives of Permanent Missions.

3. Both presentations outlined UNIDO involvement in the three operational programmes of GEF within the competence and field of expertise of UNIDO: climate change, international waters and biodiversity. A UNIDO strategy for future activities was elaborated and a list of GEF ongoing and pipeline projects was provided, including those in the process of finalization with UNIDO involvement. Question and answer sessions provided participants the opportunity to obtain clarification on technical matters related to implementation of GEF programmes.

4. Parallel to the presentations, a number of individual meetings with Permanent Representatives as well as with two GEF focal points (Austria and Islamic Republic of Iran) were convened by the Managing Director during February and March 2000.

II. FOLLOW-UP OUTSIDE VIENNA

5. A number of missions were carried out during February and March 2000, both by the Managing Director of the Sectoral Support and Environmental Sustainability Division and Directors or senior staff of the two relevant branches (Industrial Energy Efficiency Branch and Cleaner Production and Environmental Management Branch). A number of meetings held during these missions are expected to yield concrete results over time.

6. The first mission included meetings in New York with the United Nations Division for Sustainable Development, UNDP, National Oceanic and Atmospheric Administration and the GEF Secretariat, and with the United States Departments of State, Treasury and Commerce and the World Bank in Washington.

7. A second mission featured meetings with the State Environmental Protection Agency and the Ministry of Water Resources in China and with the Ministries of Industry, Finance, Environment and Forests and Chemicals and Fertilizers in India.

8. Parallel to these, missions were undertaken to Cuba, Kenya, Malaysia and Viet Nam in connection with the implementation of GEF/UNIDO ongoing projects. In Cuba, particularly, the GEF counterparts and focal point as well as the local UNDP office were contacted and possibilities for UNIDO involvement in GEF country projects were discussed in depth.

9. Further missions, including to major donor countries, are foreseen for April and May 2000. Already agreed upon are visits to Denmark, France, Germany, Italy, Kenya, Malaysia, the United Kingdom and Viet Nam.

III. STATUS OF GENERAL CONFERENCE REQUESTS

10. Resolution GC.8/Res.2 addressed a number of specific points, for which the status of implementation is summarized below.

Mobilization of available resources

11. To date, resources have been utilized primarily for undertaking the missions described in chapter II above.

Cooperation with GEF, World Bank, UNDP and UNEP

12. Cooperation with the World Bank has been initiated and foresees within the year 2000 collaboration in the area of persistent organic pollutants. Cooperation with UNDP has been very effective, featuring activities such as identifying projects in Cuba, defining the modalities of execution in Kenya and formulating two large-scale GEF projects in India.

13. Moreover, a GEF project for India was recently approved for coal bed methane recovery and commercial utilization in the amount of $14,952,000, of which $8,913,000 is to be implemented by UNIDO.

14. In the meetings held with the GEF secretariat, GEF expressed its appreciation for the resolution adopted by the General Conference of UNIDO and confirmed its interest in cooperating in all three areas identified (climate change, international waters and biodiversity).

GEF focal points

15. Contacts with GEF focal points have been initiated in all regions. In a number of countries (Cuba, India, China, Islamic Republic of Iran, Kenya, Malaysia, Viet Nam), contacts with focal points have already taken place.

Cooperation opportunities with other organizations

16. As UNIDO activities in the GEF area gain momentum, the need for cooperation with other competent organizations increases. It is expected that concrete results will be achieved as of the second half of 2000.

IV. ACTION REQUIRED OF THE BOARD

17. The Board may wish to take note of the information provided in the present document.

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ADMINISTRATIVE MATTERS

Personnel matters

Report by the Director-General

Provides information on a range of personnel-related issues, including developments in the common system, matters related to the staff rules and gender issues in the Secretariat, as called for in decision IDB.21/Dec.11

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Introduction

1. The present document provides information on common system developments and consequent amendments to schedules of the staff regulations, matters related to the staff rules and amendments thereto, representation of the UNIDO governing body on the Staff Pension Committee, and information pursuant to decision IDB.21/Dec.11 related to developments on the situation of women in the Secretariat and the geographical distribution of staff.

I. COMMON SYSTEM DEVELOPMENTS

2. At its fifty-fourth session the General Assembly adopted resolution 54/238 on the United Nations common system. In considering the item, the Assembly reaffirmed its commitment to a single, unified United Nations common system as the cornerstone for the regulation and coordination of conditions of service and reaffirmed the central role of the International Civil Service Commission (ICSC) in this respect. Furthermore, the Assembly expressed its conviction that the common system constitutes the best instrument to secure staff of the highest standards of efficiency, competence and integrity for the international civil service as stipulated in the Charter of the United Nations.

3. As provided in Article 11.5 of the UNIDO Constitution, "The conditions of service of staff shall conform as far as possible to those of the United Nations common system". In accordance with that principle, staff regulation 13.3 provides that the Director-General is authorized, within the budgetary level approved by the General Conference, to make appropriate amendments to the schedules and annexes to the staff regulations so as to bring them into conformity with any relevant decisions that may be taken by the General Assembly of the United Nations on the recommendation of ICSC.

Salary scales for the Professional and higher categories

4. In resolution 54/238 the General Assembly recalled section I.H. of resolution 44/198, by which it established a floor net salary level for staff in the Professional and higher categories by reference to the corresponding net salary levels of officials in comparable positions serving at the base city of the comparator civil service (the federal civil service of the United States of America). The Assembly approved effective 1 March 2000 a revised scale of gross and net salaries for the Professional and higher categories and revised rates of staff assessment. The base scale reflects an increase of 3.42 per cent which, according to standard procedures, is accompanied by a consequential equivalent downward adjustment in the post adjustment multipliers effective 1 March 2000 in line with the "no gain, no loss" principle. The revision will, however, entail an increase in certain separation payments such as repatriation grant and the mobility and hardship allowances paid to eligible staff as the base salary scale is used to determine these payments.

Staff assessment rates

5. In resolution 54/238, the General Assembly approved simplified staff assessment rates in conjunction with the base/floor salary scale.

Amendments to schedules I and III of the staff regulations

6. The revised salary and staff assessment rates are contained in annexes I and II to the present document.

II. MATTERS RELATED TO THE STAFF RULES

7. Staff rules 104.08, 106.02 and appendix M to the staff rules were amended to reflect the terminology applicable to the new staff performance appraisal system promulgated by Director-General's Administrative Instruction No. 10, annex IV, dated 8 April 1999. The applicable texts are shown in annex III to the present document. Deletions are contained in square brackets and amendments are underlined.

8. Staff rule 103.10 was amended to reflect the provisions of the new staff career development system reported in document IDB.21/16. The revised and previous rule 103.10 are contained in annex IV to the present document.

9. In line with policies adopted by other organizations of the United Nations common system in the context of work/family related measures existing provisions in the staff rules relating to leave of absence from work may now be used to enable staff members to attend to special family circumstances such as child birth or adoption and family-related emergencies such as sickness, injury or death of immediate family members (spouse, child, parent, brother or sister only). The amendments to staff rules 108.03 and 108.04 to reflect this new policy are shown in annex V to the present document.

10. Appendix A to the staff rules. Staff regulation 6.5 (a) provides that "The Director-General shall fix the salary scales for staff in the General Service and related categories, normally on the basis of the best prevailing conditions of employment in the locality, taking into account the recommendations of the International Civil Service Commission". Based on the approved ICSC methodology, which takes account of changes in the consumer price and wage indices over a period of 12 months, and in consultation with the other Vienna-based organizations, the Director-General implemented an interim adjustment of the salary scales for General Service staff in Vienna of 0.63 per cent effective 1 April 1999. This applies to a limited number of staff recruited on or after 1 October 1996. The revised scale is contained in annex VI to the present document.

11. In accordance with article 54 (b) of the regulations of the United Nations Joint Staff Pension Fund, the scale of pensionable remuneration should be adjusted on the same date as the net remuneration amounts of officials in the Professional and higher categories in New York. The ICSC promulgated a revised scale of pensionable remuneration for the staff in the categories mentioned above effective 1 November 1999. The revised appendix C to the staff rules is contained in annex VII to the present document.

Financial implications

12. The financial implications of the adjustments related to the revised salary and pensionable remuneration scales and the General Service interim adjustment amount to $402,000 until the end of the current biennium and can be absorbed within the staff cost allocations contained in the programme and budgets, 2000-2001.

III. REPRESENTATION OF THE UNIDO GOVERNING BODY ON THE UNIDO STAFF PENSION COMMITTEE

13. The UNIDO Staff Pension Committee established by the General Conference (GC.1/Dec.37) held five meetings in the course of 1999.

14. The following representatives of the General Conference, who, by decision GC.8/Dec.19 of 3 December 1999, were elected for the biennium 2000-2001, presently hold office for a term ending 31 December 2001:

Members:	Mr. Enno Drofenik (Austria)
	Ms. Caroline Ziadé (Lebanon)
Alternate members:	Mr. José Jorge Alcazar Almeida (Brazil)
	Mr. Attila Zsigmond (Hungary)

15. Subsequently, Mr. Alcazar Almeida was assigned to Lebanon and thus the post of one alternate member is vacant. In this connection it is recalled that in subparagraph (b) of decision GC.8/Dec.19 the General Conference "authorized the Industrial Development Board to proceed with the election for any of the above-mentioned posts that might become vacant before the General Conference holds its ninth session".

16. The Board is called upon to elect a new alternate member to the Staff Pension Committee for the remainder of the term ending December 2001.

IV. INFORMATION PURSUANT TO DECISION IDB.21/DEC.11

Geographical distribution of staff as of 29 February 2000

17. By decision IDB.21/Dec.11, the Board referred, *inter alia*, to paragraph 5, Article 11 of the UNIDO Constitution which provides, *inter alia*, that "The paramount consideration in the employment of the staff and in determining the conditions of service shall be the

necessity of securing the highest standards of efficiency, competence and integrity. Due regard shall be paid to the importance of recruiting staff on a wide and equitable geographical basis". Table 1 shows the geographical distribution of staff as of 29 February 2000.

Women in the Secretariat

18. The Board, in decision IDB.21/Dec.11, appreciated that measures were being initiated to address the low representation of women in the Secretariat at the decision-making level. In 1999, UNIDO appointed one female internal candidate to a D-1 position and a female external candidate at the D-1 level is currently under recruitment. This latter appointment is not reflected in table 2 showing the geographical distribution as of 29 February 2000.

19. A combination of affirmative actions were introduced during the period under review to address the low representation of women in the Secretariat, particularly at the decision-making level. These included a special review of serving woman Professionals as a first step in filling any vacancy, especially those at the senior decision-making levels. Special attention was also given to the inclusion of sufficient female candidates on the short list for each vacancy, and managers were required to formally justify non-selection of female candidates. In case of equally qualified candidates, the gender consideration was decisive.

20. The above measures have so far proven quite successful. Of the 13 posts opened for recruitment in March 1999, the selection has now been completed for 11. For four of these, or 36 per cent of the posts, women were selected. This was a positive step forward, as during the last five years the average recruitment of women was only 25 per cent. These vacancies included four posts at the D-1 level, for two of which the selection process has now been completed. Of the women selected for these Directors' positions, one was from inside the Secretariat and the other is from an under-represented country. Her appointment will result in bringing her country of nationality within the desirable range.

21. The relatively high proportion of women selected so far has to be seen in light of the modest number of applications received from women for the above vacancies, despite the special encouragement included in each vacancy notice for women to apply. From a total of almost 3,000 applications, only 15.3 per cent were from women. Particularly for more technical posts, applications from women are rare. The filling of the vacancies in the technical divisions will, therefore, present a special challenge (see table 6 and figure 1). Another 14 vacancy announcements were issued in November 1999 for which only slightly more women applied. Of the 1,220 applications, 201 were from women, representing 16.5 per cent of total applications received. Adequate consideration will be given to the need for recruiting women to professional positions, keeping in view the consideration of efficiency and merit.

22. During 1999 an unusually high number of women Professional staff separated from the Secretariat. While in total numbers, more men (15) left UNIDO, they represented only 8 per cent of male Professionals. The nine women who left the Organization, on the other hand, represented as much as 17 per cent of UNIDO's female Professional staff (see table 7). The resulting distribution of men and women in Professional posts is reflected in tables 1, 2 and 3.

23. The Organization will continue to make efforts to further improve the representation of women at the decision-making levels.

V. ACTION REQUIRED OF THE BOARD

24. The Board may wish to consider the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information contained in document IDB.22/5;

"(b) Notes the amendments made in pursuance of staff regulation 13.3 to schedules I and III to the staff regulations in order to bring them into conformity with the decisions of the General Assembly set out in resolution 54/238;

"(c) Also notes the amendments to the staff rules and appendices thereof reported under chapter II of document IDB.22/5;

"(d) In accordance with General Conference decision GC.8/Dec.19 (b) elects: ..... (... country ...) as an alternate member to fill the vacant post of the UNIDO Staff Pension Committee for the remainder of the term ending December 2001."

Table 1
Geographical distribution of staff
as of 29 February 2000

Group	Male	Female	Total
A	46	8	54
B	67	28	95
C	16	7	23
D	30	1	31
Non-member States[1]	12	3	15
Undefined[2]	0	0	0
Total	171	47	218

[1] Australia, Canada, United States of America.
[2] Kazakhstan, Tajikstan, Turkmenistan, Uzbekistan.

Table 2
Composition of Professional staff subject to geographical distribution, by gender, 1994-2000[1]
(Number)

	Male							Female						
Grade	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
D2	6	4	4	5	6	5	5	2	2	0	0	0	0	0
D1	22	22	22	24	22	20	20	0	0	0	0	0	1	1
P5	68	73	58	58	49	45	45	10	13	12	13	14	11	11
Subtotal	96	99	84	87	77	70	70	12	15	12	13	14	12	12
Per cent	88.9	86.8	87.5	87	84.6	85.4	85.4	11.1	13.2	12.5	13	15.4	14.6	14.6
P4	95	94	88	89	78	75	76	25	25	21	17	12	11	12
P3	35	37	38	32	25	21	20	22	20	19	25	20	14	14
P2	12	12	10	6	4	5	5	18	19	14	8	8	9	9
Subtotal	142	143	136	127	107	101	101	65	64	54	50	40	34	35
Per cent	68.6	69.1	71.6	71.8	72.8	74.8	74.3	31.4	30.9	28.4	28.2	27.2	25.2	25.7
Total	238	242	220	214	184	171	171	77	79	66	63	54	46	47
Per cent	75.6	75.4	76.9	77.3	77.3	78.8	78.4	24.4	24.6	23.1	22.7	22.7	21.2	21.6

[1] As of 31 December 1994-1999 and 29 February 2000.

Table 3
Composition of UNIDO Professional staff at Headquarters and in the field, by gender, 29 February 2000

Grade	Male	%	Female	%	Total
D-2/L-7	5	100	0	0	5
D-1/L-6	31	97	1	3	32
P-5/L-5	55	81	13	19	68
Subtotal	91	87	14	13	105
National Officers	5	83	1	17	6
P-4/L-4	76	87	11	13	87
P-3/L-3	22	59	15	41	37
P-2/1/L-2/1	12	52	11	48	23
Subtotal	115	75	38	25	153
TOTAL	206	80	52	20	258

Table 4
Placement and promotion of Professional staff, 1 January 1996-29 February 2000

Total Professional staff promoted					Professional staff promoted to P-5 and above				
Female	**%**	**Male**	**%**	**Total**	**Female**	**%**	**Male**	**%**	**Total**
17	30	39	70	56	6	21	22	79	28

Table 4 (a)
External recruitment of Professional staff, 1 January 1999-29 February 2000[1]

Total Professional staff recruited					Professional staff recruited at P-5/L-5 level and above				
Female	**%**	**Male**	**%**	**Total**	**Female**	**%**	**Male**	**%**	**Total**
1	25	3	75	4	0	0	0	0	0

[1] Includes staff under 200 series of staff rules; in addition to the external recruitments, 7 staff members (5 male and 2 female) were selected for vacancies and converted to 100 series of staff rules.

Table 5
Female candidates on roster, 1995-2000[1]
(Per cent)

	1995	1996	1997	1998	1999	2000
Secretariat	22.6	22	22.7	23	30.7	30.7
Technical cooperation	5.3	5.7	5.9	6.5	10.9	11.1

[1] As of 31 December 1995-1999 and 29 February 2000.

Table 6
External vacancy announcements issued, 1 April 1999-29 February 2000

Grade	ODG	IPC	SES	FOA	BMS	Total
D-1	0	0	0	0	0	0
P-5	0	3	3	1	0	7
P-4	0	1	1	1	0	3
P-3	0	6	3	2	0	11
P-2	1	0	0	0	0	1
Total	1	10	7	4	0	22

Table 7
Separations of Professional staff subject to geographical distribution, 1999

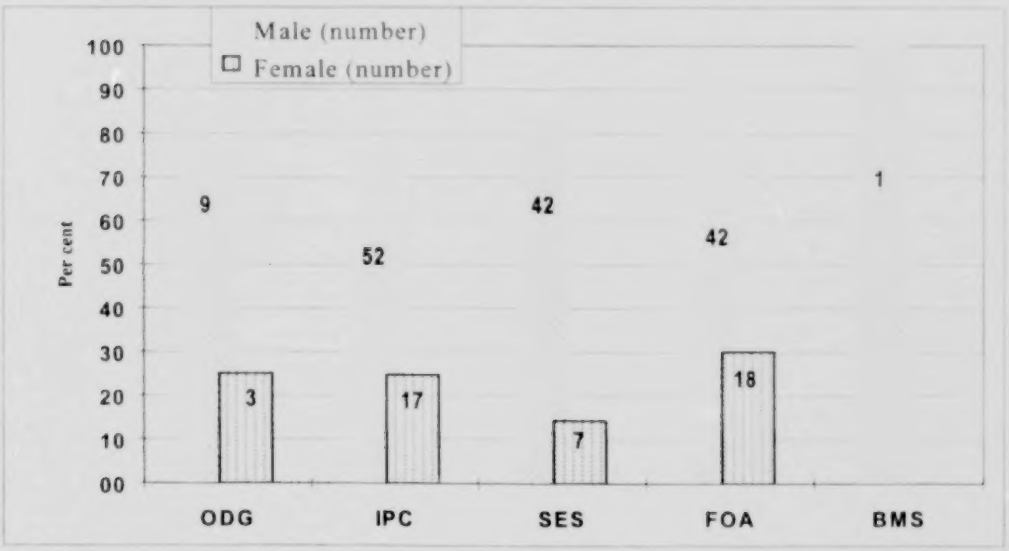
	Male							Female						
	Staff Dec. 1998	Retire-ment	Early retire-ment	Expira-tion	Resig-nation	Other	Total	Staff Dec. 1998	Retire-ment	Early retire-ment	Expira-tion	Resig-nation	Other	Total
D-2	6						0	0						0
D-1	22	1	1				2	0						0
P-5	49	3	1		1	1	6	14		1			1	2
P-4	78	2					2	12					1	1
P-3	25		1	2	2		5	20			1	4	1	6
P-2	4						0	8						0
Total	**184**	**6**	**3**	**2**	**3**	**1**	**15**	**54**	**0**	**1**	**1**	**4**	**3**	**9**
Per cent							**8%**							**17%**

Table 8
Separations of Professional staff subject to geographical distribution 2000

	Male							Female						
	Staff Dec. 1999	Retire-ment	Early retire-ment	Expira-tion	Resig-nation	Other	Total	Staff Dec. 1999	Retire-ment	Early retire-ment	Expira-tion	Resig-nation	Other	Total
D-2	5						0	0						0
D-1	20						0	1						0
P-5	45		1				1	11						0
P-4	75	1					1	11						0
P-3	21	1	1				2	14		1				1
P-2	5						0	9						0
Total	**171**	**2**	**2**	**0**	**0**	**0**	**4**	**46**	**0**	**1**	**0**	**0**	**0**	**1**
Per cent							2%							2%

Figure 1

Status of Professional staff subject to geographical distribution at Headquarters, by division
As of 29 February 2000



Annex I

SCHEDULE I

SALARY SCALES FOR THE PROFESSIONAL AND HIGHER CATEGORIES
SHOWING ANNUAL GROSS SALARIES AND THE NET EQUIVALENTS
AFTER APPLICATION OF STAFF ASSESSMENT
(United States dollars)

Effective 1 March 2000

	STEPS													
LEVEL	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV
Director															
D-2 Gross	117 550	120 165	122 777	125 389	128 002	130 615									
Net D	83 081	84 702	86 322	87 941	89 561	91 181									
Net S	76 325	77 683	79 041	80 398	81 756	83 113									
Principal Officer															
D-1 Gross	103 763	106 000	108 239	110 471	112 710	114 947	117 185	119 423	121 658						
Net D	74 533	75 920	77 308	78 692	80 080	81 467	82 855	84 242	85 628						
Net S	68 893	70 112	71 329	72 545	73 763	74 972	76 135	77 297	78 459						
Senior Officer															
P-5 Gross	91 215	93 239	95 265	97 289	99 313	101 335	103 361	105 385	107 408	109 434	111 458	113 481	115 505		
Net D	66 753	68 008	69 264	70 519	71 774	73 028	74 284	75 539	76 793	78 049	79 304	80 558	81 813		
Net S	62 914	63 164	64 267	65 370	66 471	67 572	68 674	69 776	70 878	71 980	73 082	74 183	75 262		
First Officer															
P-4 Gross	75 424	77 282	79 135	80 986	82 844	84 697	86 552	88 406	90 279	92 252	94 224	96 202	98 174	100 148	102 124
Net D	56 380	57 606	58 829	60 051	61 277	62 500	63 724	64 948	66 173	67 396	68 619	69 845	71 068	72 292	73 517
Net S	52 503	53 629	54 751	55 872	56 996	58 116	59 238	60 360	61 481	62 603	63 701	64 778	65 852	66 926	68 002
Second Officer															
P-3 Gross	61 730	63 473	65 217	66 956	68 700	70 441	72 182	73 926	75 668	77 411	79 153	80 894	82 636	84 377	86 121
Net D	47 342	48 492	49 643	50 791	51 942	53 091	54 240	55 391	56 541	57 691	58 841	59 990	61 140	62 289	63 440
Net S	44 191	45 248	46 307	47 364	48 422	49 479	50 536	51 594	52 650	53 708	54 762	55 816	56 870	57 923	58 977
Associate Officer															
P-2 Gross	50 349	51 779	53 206	54 635	56 063	57 490	58 919	60 377	61 938	63 495	65 052	66 612			
Net D	39 251	40 281	41 308	42 337	43 365	44 393	45 422	46 449	47 479	48 507	49 534	50 564			
Net S	36 815	37 749	38 680	39 612	40 543	41 477	42 424	43 368	44 317	45 263	46 208	47 155			
Assistant Officer															
P-1 Gross	38 988	40 363	41 735	43 108	44 479	45 851	47 226	48 599	49 969	51 343					
Net D	31 071	32 061	33 049	34 038	35 025	36 013	37 003	37 991	38 978	39 967					
Net S	29 310	30 221	31 131	32 043	32 953	33 863	34 775	35 674	36 568	37 465					

D = Rate applicable to staff members with a dependent spouse or child.
S = Rate applicable to staff members with no dependent spouse or child.

Annex II

SCHEDULE III

Assessment (*continued*)
(in percentages)

Staff assessment rates used in conjunction with gross base salaries and the gross amounts of separation payments

A. Staff assessment rates for those with dependants

Total assessable payments (US dollars)	Staff member with a dependent spouse or a dependent child (per cent)
First $30,000 per year	18
Next $30,000 per year	28
Next $30,000 per year	34
Remaining assessable payments	38

B. Staff assessment of those without dependants

Staff assessment amounts for those with neither a dependent spouse nor a dependent child would be equal to the differences between the gross salaries at different grades and steps and the corresponding net salaries at the single rate.

(ii) The assessment shall be calculated at the following rates for staff whose salary rates are established under regulation 6.5 (a) of the present regulations:

Total assessable payments (US dollars)	Assessment (per cent)
Up to $20,000 per year	19
$20,001 to $40,000 per year	23
$40,001 to $60,000 per year	26
$60,001 and above per year	31

(iii) The Director-General shall determine which of the scales of assessment set out in (I) and (ii) above shall apply to staff whose salary rates are established under regulation 6.4 or 6.6 of the present regulations.

Annex III

Rule 104.08

SERVICE AND CONDUCT REPORTS

(a) The service and conduct of a staff member shall be the subject of appraisals [reports] made from time to time by the staff member's supervisors as described in appendix M to the Staff Rules. Such appraisals [reports] shall be shown to the staff member and, subject to his or her right of rebuttal in accordance with the provisions set forth in Appendix M to the Staff Rules, shall form a part of his or her permanent cumulative record.

(b) The performance appraisal [report] shall serve to ensure that the staff member's assigned work is effectively and efficiently carried out and also to provide a basis for career counselling for the staff member.

Rule 106.02

CONDITIONS FOR SALARY INCREMENTS

(a) Satisfactory service for the purpose of awarding a salary increment shall be defined, unless otherwise decided by the Director-General in any particular case, as satisfactory performance and conduct of staff members in their assignments as evaluated by their supervisors in the most recent annual staff performance appraisal [report].

(b) Salary increments shall be effective on the first day of the pay period in which the service requirements are completed, provided that such increments shall not be effective earlier than the first day of the pay period in which a staff member returns to pay status from a period of leave without pay. No increment shall be paid in the case of a staff member whose services cease during the month in which the increment would otherwise have been due.

Appendix M

STAFF PERFORMANCE APPRAISAL [EVALUATION] SYSTEM

(a) As stipulated in staff rule 104.08, the service and conduct of staff members shall be the subject of appraisals [reports] made from time to time by their supervisors.

(b) Performance appraisals [reports] will be made on the following occasions:

(i) After 12 months of probationary service, where applicable;

(ii) On an annual basis.

(c) In addition, unless an appraisal [a report] has been made during the last six months, it will be required on the following occasions:

(i) If the staff member is assigned to another organizational unit within the UNIDO Secretariat, to another duty station or to a mission for a period of six months or longer;

(ii) If the staff member is transferred to another organization of the United Nations common system or separates from service;

(iii) If the immediate supervisor is about to leave on another assignment or to be separated from the Secretariat.

(d) If the staff member, upon receipt of the appraisal, [report] does not agree with its content, he or she may submit, within one month, a statement of explanation. The statement of explanation can relate to any comment or rating in the appraisal [report]; it will be placed on the staff member's Official Status File. It is, however, not a rebuttal.

(e) A rebuttal may be submitted within one month of receipt of the appraisal [report] if the staff member has received and does not agree with [an overall rating] a summary evaluation given in part VI which indicates that the performance [needs improvement (rating D) or is not satisfactory (rating E)] is marginal (rating 2) or is unsatisfactory (rating 1). The rebuttal may cover one or all parts of the appraisal [report].

(f) The rebuttal is a formal procedure of investigation by a panel of three persons selected by the staff member from a list of five persons normally senior in grade to the staff member. The list will be proposed by the appraising officer. Following the investigation the panel will submit its report to the appraising officer, who will record his or her appraisal in writing.

(g) The within-grade salary increment provided for in staff regulation 6.1 and staff rule 106.01 shall be withheld if the [overall rating given in part IV of the staff performance evaluation report] summary evaluation given in part VI of the staff performance appraisal is that the performance [needs improvement (rating D) or is not satisfactory (rating E)] is marginal (rating 2) or unsatisfactory (rating 1).

(h) Special reports shall be made by the head of the division in the form of a memorandum relating directly to the facts requiring the action when:

(i) Events warranting the withholding of the salary increment occur subsequent to the most recent performance appraisal [evaluation] which would otherwise have served as the basis for the salary increment;

(ii) There is a recommendation for termination of appointment for unsatisfactory service.

(i) Within one month of receipt of the special report, the staff member may submit a rebuttal, which will also be subject to investigation by a rebuttal panel as referred to in paragraph (f) above.

(j) A staff member may request a special report in respect of any assignment of less than six months in another organizational unit.

Annex IV

New
Rule 103.10

FIXED-TERM APPOINTMENTS

(a) Appointments granted on recruitment for periods of 12 months or more should be fixed-term appointments.

(b) Fixed-term appointments granted to Professional (P-1 to P-5) and General Service staff are normally for an initial period of three years, including a probationary period of 12 months that can in exceptional circumstances be extended for an additional period up to one year.

(c) Fixed-term appointments granted to the Director (and Principal Officer) category are for a maximum period of two years.

(d) Fixed-term appointments do not carry any expectancy of renewal or conversion to another type of appointment. When it is in the interest of the programme activities of the Organization, however, fixed-term appointments can be extended for subsequent fixed-term periods up to three years, not exceeding a total of seven years since the initial appointment of the staff member concerned.

(e) Extensions beyond the maximum of seven years will be considered only upon completion of a review to be done prior to the end of the sixth year of service based on the staffing requirements of the Organization and the performance appraisal reports of the staff member concerned.

(f) Non-extension of fixed-term appointments, both during and at the end of the seven-year period does not entail payment of any indemnity.

(g) The above dispositions apply to all staff recruited on or after 1 January 1999 and to those appointed prior to that date with less than three years of service at the end of their appointment.

(h) Staff members appointed prior to 1 January 1999 having three years or more of service will continue to be governed by the terms of their original fixed-term appointment, which do not include the seven-year limit referred to in subparagraph (d) above.

Probationary period

(i) All initial fixed-term appointments with a duration of three years shall be subject to a period of probationary service covering the first 12 months of the appointment. At the end of the period of probationary service, an assessment will be made of the staff member's performance and conduct with a view to determining the staff member's suitability for continued service under the appointment. On the basis of the assessment, the fixed-term appointment may be confirmed or terminated in accordance with staff regulation 10.3 (d). In exceptional circumstances, the probationary service may be extended for an additional period up to one year.

(j) (i) Recommendations proposing the confirmation of fixed-term appointments with a duration of three years on the grounds that the holder of the appointment has successfully completed the period of probationary service may be made to the Director-General by agreement between the Human Resource Management Branch and the office concerned;

(ii) In the absence of an agreed favourable recommendation as provided in subparagraph (j)(i) above, the appointment of the staff member shall be terminated and the matter shall be referred to the appeal procedures should the staff member concerned so wish.

Old
(Rule 103.10

FIXED-TERM APPOINTMENTS

(a) On recruitment, staff members shall be granted appointments for a fixed term. The fixed-term appointment, having an expiration date specified in the letter of appointment, may be granted for a period not exceeding five years. The fixed-term appointment does not carry any expectancy of renewal or of conversion to another type of appointment.

(b) All initial fixed-term appointments with a duration of two years or longer shall be subject to a period of probationary service covering the first 12 months of the appointment. At the end of the period of probationary service, an assessment will be made of the staff member's performance and conduct with a view to determining the staff member's suitability for continued service under the appointment. On the basis of the assessment, the fixed-term appointment may be confirmed or terminated in accordance with staff regulation 10.3 (d). In exceptional circumstances, the period of probationary service may be extended for an additional period up to one year.

(c) (i) Recommendations proposing the confirmation of fixed-term appointments with a duration of two years or longer on the grounds that the holder of the appointment has successfully completed the period of probationary service may be made to the Director-General by agreement between the Personnel Services and the Division or Office concerned;

(ii) In the absence of an agreed favourable recommendation as provided in subparagraph (c) (i) above, the matter shall be referred to the appropriate appointment and promotion body for review and recommendation to the Director-General.

(d) In the case of a staff member with an initial fixed-term appointment of less than two years, if the appointment has been extended so that the total period exceeds two years, the requirement under subparagraph (c) (i) above shall be deemed to have been met.)

Annex V

Rule 108.03

SICK LEAVE

(a) Staff members who are incapacitated from the performance of their duties by illness or injury or whose attendance is prevented by public health requirements shall be granted sick leave in accordance with the following provisions:

(i) All sick leave must be approved on behalf of the Director-General;

(ii) A staff member holding a fixed-term appointment of less than one year shall be granted sick leave credit at the rate of two working days per month of contractual service;

(iii) A staff member holding a fixed-term appointment of 1 year or longer but less than 3 years shall be granted sick leave of up to 3 months on full salary and 3 months on half salary in any period of 12 consecutive months, provided that the amount of sick leave permitted in any 4 consecutive years shall not exceed 18 months, 9 months on full salary and 9 months on half salary;

(iv) A staff member who holds a permanent appointment, who holds a fixed-term appointment for three years or more or who has completed three years of continuous service shall be granted sick leave of up to nine months on full salary and nine months on half salary in any period of four consecutive years;

(v) Staff members shall be responsible for informing their supervisors as soon as possible of absences due to illness or injury;

(vi) A staff member who is on sick leave for a period of more than three consecutive working days is required to produce a certificate from a duly recognized medical practitioner to the effect that the staff member is unable to perform his or her duties and stating the nature of the illness and the probable duration of incapacity. Such certificate shall, except in circumstances beyond the control of the staff member, be produced not later than the end of the fourth working day following the initial absence from duty of the staff member;

(vii) After a staff member has taken periods of uncertified sick leave totalling seven working days within a calendar year, any further absence from duty within that year shall either be supported by a medical certificate or deducted from annual leave or charged as special leave without pay; part or all of the uncertified sick leave may be used to attend to family related emergencies, i.e. sudden illness or injury of a family member (spouse, child, parent, brother or sister);

(viii) A staff member who, in the opinion of the Medical Officer of the Organization, is unfit for duty may be required at any time to submit a medical certificate as to his or her condition or to undergo examination by a medical practitioner named by the Director-General. Further sick leave may be refused or the unused portion withdrawn, if the Director-General is satisfied that the staff member is able to return to duty, provided that, if the staff member so requests, the matter shall be referred to an independent practitioner or a medical board acceptable to both the Director-General and the staff member;

(ix) A staff member shall not, while on sick leave, leave the area of the duty station without prior approval of the Director-General.

(b) When sickness of more than three consecutive working days occurs within a period of annual leave, including home leave, sick leave may be approved on production of an appropriate medical certificate or other satisfactory evidence. In such circumstances, a staff member should submit his or her request for sick leave

together with the supporting certificate or other evidence as soon as practicable, and in any event immediately on his or her return to duty.

(c) A staff member shall notify the Medical Officer of the Organization immediately of any case of contagious disease occurring in his or her household, or of any quarantine order affecting the household. A staff member who, as a result of these circumstances, is directed not to attend the office shall receive his or her full salary and other emoluments for the period of authorized absence.

(d) On the advice of the Medical Officer of the Organization, the Director-General may require a staff member to absent himself or herself on sick leave in cases referred to in rule 103.13 (c).

(e) Entitlement to sick leave shall lapse on the final date of a staff member's appointment.

Rule 108.04

MATERNITY LEAVE

(a) A staff member shall be entitled to maternity leave in accordance with the following provisions:

(i) The leave shall commence six weeks prior to the anticipated date of birth upon production of a certificate from a duly recognized medical practitioner indicating the anticipated date of birth. However, at the staff member's request and upon production of a certificate from a duly recognized medical practitioner indicating that she is fit to continue to work, the absence may be permitted to commence less than six weeks but normally not less than two weeks before the anticipated date of birth;

(ii) The leave shall extend for a total period of sixteen weeks from the time it is granted. The post-delivery leave shall therefore extend for a period equivalent to sixteen weeks less the period between the commencement of the maternity leave and the actual date of birth, subject to a minimum of ten weeks. However, the staff member, on her request, may be permitted to return to work after the lapse of a minimum period of six weeks following delivery;

(iii) The staff member shall receive maternity leave with full pay for the entire duration of her absence in accordance with (i) and (ii) above. However, if due to a miscalculation on the part of the medical practitioner or midwife as to the date of birth the pre-delivery leave is more than six weeks, the staff member shall receive full pay to the actual date of birth and will be allowed the minimum of ten weeks of post-delivery leave as provided in (ii) above.

(b) Sick leave shall not be granted for the duration of maternity leave except where serious complications arise.

(c) Annual leave shall accrue during the period of maternity leave, provided that the staff member returns to service for at least six months after the completion of maternity leave.

(d) A staff member shall be entitled to time off for two 30-minute periods daily in order to nurse her child for such period as may be authorized.

(e) Where both husband and wife are staff members of UNIDO, an unused portion of maternity leave to which the mother would otherwise have been entitled under paragraph (a) above may be used as paternity leave by the father of the child, up to a maximum period of four weeks.

Annex VI

SALARY SCALES FOR GENERAL SERVICE AND RELATED CATEGORIES

3. General Service category

Showing annual gross, gross pensionable and net salary after application of staff assessment
(in Austrian schillings)

Effective 1 April 1999

	STEPS											
LEVEL	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII*
G-1 Gross	300 416	310 425	320 434	330 443	340 452	350 461	360 470	370 479	380 488	390 497	400 506	410 516
Gross pens.	297 313	306 828	316 342	325 872	335 882	345 890	355 900	365 909	375 918	385 927	395 937	405 945
Net	240 824	248 531	256 238	263 945	271 652	279 359	287 066	294 773	302 480	310 187	317 894	325 601
G-2 Gross	349 519	361 100	372 681	384 261	395 842	407 422	419 003	430 583	442 164	453 744	465 325	476 974
Gross pens.	344 951	356 531	368 112	379 691	391 272	402 852	414 433	426 013	437 594	449 174	460 755	472 335
Net	278 634	287 551	296 468	305 385	314 302	323 219	332 136	341 053	349 970	358 887	367 804	376 721
G-3 Gross	406 331	419 729	433 126	446 523	459 921	473 318	487 182	501 123	515 064	529 004	542 945	556 885
Gross pens.	401 761	415 159	428 556	441 954	455 352	468 749	482 147	495 544	508 942	522 339	535 737	549 135
Net	322 379	332 695	343 011	353 327	363 643	373 959	384 275	394 591	404 907	415 223	425 539	435 855
G-4 Gross	472 064	488 066	504 196	520 326	536 455	552 585	568 715	584 845	600 974	617 104	633 234	649 364
Gross pens.	467 494	482 995	498 495	513 996	529 496	544 996	560 497	575 997	591 498	606 998	622 499	637 999
Net	372 993	384 929	396 865	408 801	420 737	432 673	444 609	456 545	468 481	480 417	492 353	504 289
G-5 Gross	551 070	569 731	588 392	607 053	625 714	644 374	663 035	681 696	700 357	719 468	739 481	759 494
Gross pens.	543 544	561 478	579 412	597 346	615 280	633 214	651 149	669 809	688 470	707 131	725 793	744 454
Net	431 552	445 361	459 170	472 979	486 788	500 597	514 406	528 215	542 024	555 833	569 642	583 451
G-6 Gross	642 631	664 222	685 812	707 403	730 167	753 322	776 477	799 632	822 787	845 942	869 097	892 252
Gross pens.	631 537	652 333	673 924	695 515	717 105	738 697	760 288	781 879	803 470	825 060	846 652	868 243
Net	499 307	515 284	531 261	547 238	563 215	579 192	595 169	611 146	627 123	643 100	659 077	675 054
G-7 Gross	751 157	777 946	804 736	831 526	858 316	885 106	911 896	938 686	965 475	992 265	1 019 055	1 045 845
Gross pens.	736 677	761 657	786 638	811 618	836 599	861 579	886 559	911 540	936 520	961 501	987 189	1 013 979
Net	577 698	596 183	614 668	633 153	651 638	670 123	688 608	707 093	725 578	744 063	762 548	781 033

Dependency allowances:

Dependent spouse	AS 5,280
Dependent child under 10	AS 25,717
10 and over	AS 28,717
19 and over	AS 32,317
legally separated parent	AS 5,479
Secondary dependant	AS 2,400

The secondary dependant allowance for a dependent parent, brother or sister was abolished as of 1 July 1981. Payment will be maintained, however, for staff members already in receipt of this allowance prior to 1 July 1981 who are otherwise eligible.

Language allowance: First additional language—AS 16,551 per year net; second additional language—AS 8,276 (to be included in pensionable remuneration).
Additional allowance for first child of single, widowed, divorced or

Increments: Salary increments within the levels shall be awarded annually, on the basis of satisfactory service.

Non-resident's allowance: AS 26,088 per year net (to be included in pensionable remuneration) for eligible staff appointed prior to 1 September 1983 and nil thereafter for staff serving in Vienna.

* Long-service step

The qualifying criteria for in-grade increase from step XI to step XII are as follows:

(a) The staff member should have had at least 20 years of service within the United Nations common system and five years of service at step XI of the current grade;

(b) The staff member's service should have been satisfactory.

Annex VII

Appendix C

SCALE OF PENSIONABLE REMUNERATION FOR THE PROFESSIONAL AND HIGHER CATEGORIES

Scale of pensionable remuneration

(For purposes of pension benefits and pension contributions)
(In United States dollars)

Effective 1 November 1999

	STEPS														
LEVEL	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV
D-2.....	145 798	149 111	152 424	155 734	159 047	162 360									
D-1.....	129 131	131 779	134 426	137 069	139 717	142 497	145 334	148 171	151 004						
P-5.....	114 283	116 679	119 074	121 470	123 866	126 259	128 655	131 052	133 444	135 841	138 236	140 638	143 205		
P-4.....	94 487	96 825	99 159	101 493	103 832	106 166	108 502	110 839	113 174	115 509	117 843	120 185	122 518	124 853	127 191
P-3.....	78 640	80 648	82 656	84 660	86 670	88 676	90 682	92 692	94 793	96 989	99 182	101 377	103 571	105 764	107 961
P-2.....	64 516	66 315	68 108	69 904	71 698	73 494	75 289	77 081	78 880	80 674	82 468	84 265			
P-1.....	50 238	51 968	53 691	55 416	57 142	58 865	60 594	62 317	64 041	65 768					

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GENERAL

IDB.22/6
11 April 2000

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-second session
Vienna, 30-31 May 2000
Item 9 of the provisional agenda

ADMINISTRATIVE MATTERS

Activities of the Joint Inspection Unit

Report by the Director-General

Provides information on recent reports prepared by the Joint Inspection Unit and reflects the views of the Secretariat on JIU reports of direct relevance to UNIDO activities.

Introduction

1. The Joint Inspection Unit (JIU) became a subsidiary organ of the Industrial Development Board by its decision IDB.1/Dec.22. The Unit conducts its work based on requests by Member States, on requests by the secretariats of the participating organizations, or on its own initiative. The reports of JIU are submitted to the competent organs of the organizations concerned with the comments of the executive heads of those organizations. The present document provides information on JIU reports that are considered relevant to UNIDO, together with the comments of the Secretariat thereon.

2. Since the issuance of the most recent document to the Board on the subject (IDB.20/15), the following reports of JIU have been prepared and circulated for consideration, comments and/or follow-up action. The reports are available for reference at the documents distribution counter.

JIU/REP/98/3	The United Nations University—Enhancing its relevance and effectiveness
JIU/REP/98/4	United Nations system common services at Geneva—Part I: Overview of administrative cooperation and coordination
JIU/REP/98/5	United Nations Office for Project Services (UNOPS): Broader engagement with United Nations system organizations
JIU/REP/99/1*	Review of the Administrative Committee on Coordination and its machinery
JIU/REP/99/2	An evaluation of the United Nations International Research and Training Institute for the Advancement of Women (INSTRAW)
JIU/REP/99/3*	Results-based budgeting: The experience of United Nations system organizations

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.00-53126 (E)

Distr.: 18 April 2000

JIU/REP/99/4 Review of management and administration in the International Labour Office

JIU/REP/99/5 Use of contractual services to support established staff resources in the International Civil Aviation Organization (ICAO)

* Indicates a report of direct relevance to UNIDO

I. REPORTS SUBMITTED BY THE JOINT INSPECTION UNIT OF DIRECT INTEREST TO UNIDO

Review of the Administrative Committee on Coordination and its machinery (JIU/REP/99/1)

3. The report aims at contributing to ongoing initiatives geared at strengthening the effectiveness and impact of the Administrative Committee on Coordination (ACC) and its machinery and at improving its interaction with intergovernmental bodies in general and with those having a mandate for system-wide coordination in particular.

4. First, it appears that while ACC's past reform efforts did not always meet expectations, current reform initiatives, building on those taken in 1993 and engaged as part of the overall reform process within the United Nations system, have set the ground for the development of a new culture in inter-agency cooperation and coordination. Second, the functioning of the ACC is reviewed and an assessment is made on efforts to increase the effectiveness of ACC through greater coherence and efficiency in the decision-making process, strengthened secretariat support and improvements in the management of information. Third, the shared responsibility Member States have in achieving a better coordination in the United Nations system is underlined. The report makes an assessment of ongoing efforts and further measures conducive to an improved cross-fertilization between ACC on the one hand, and the General Assembly, the Economic and Social Council, the Committee for Programme and Coordination and other governing bodies, on the other hand. There is a need to secure from legislative bodies sustained support for coordination efforts by providing to them a more transparent account of resources involved by, and expected outputs derived from, an enhanced coordination in the system.

5. The inspectors made recommendations with regard to the functioning of the ACC and to the ACC itself, to the management of information and to the interaction between the ACC and intergovernmental bodies. The six recommendations related to the functioning are as follows:

(a) Executive heads are encouraged to continue to abide by the guiding principles which have set conditions for improving the effectiveness and impact of ACC by reinforcing their unity of purpose. They should reinforce the leadership role of the Secretary-General as Chairman of ACC and the lead role of other executive heads and their respective organizations as lead agencies in their specific mandates and competencies;

(b) ACC should continue to demonstrate the relevance and impact of its work;

(c) Executive heads should pursue more actively their consideration of a new name for ACC which would better reflect the changes in its scope and functions;

(d) Specific points should be taken into account in the implementation of the new working methods approved by ACC;

(e) Streamlining and flexibility of coordination mechanisms should remain the targets of periodic reviews of the structure of the ACC machinery;

(f) Secretariat support for ACC should be of concern to all its members.

6. With regard to the management of information, the Chairman of ACC should submit to the Economic and Social Council indications on efforts made by executive heads towards a system-wide coordinated management of information. ACC should promote further efforts by all organizations in this area.

7. The inspectors then recommend that the General Assembly may wish to complement secretariats' inter-agency coordination efforts by concerting and coordinating their own positions in the governing bodies of the different organizations within the system and by exercising more effective policy coordination at the national level within their Governments. Also, legislative bodies which have not yet done so may wish to request the executive head to submit a periodic report focusing on decisions and recommendations by central coordinating bodies or by other governing bodies, which have implications for the organization's programme and budget. They may also wish to request from executive heads a more complete and transparent submission of financial implications related to the inter-agency coordination process. Finally, the General Assembly may wish to reaffirm, as a matter of principle, its own role in approving the total budgets of all jointly-financed secretariats.

8. UNIDO welcomes this report, which reflects the importance of coordination of the entire United Nations system in the United Nations reform context. The ACC has potential in the policy dimension of coordination. UNIDO agrees that the ACC machinery should be action-oriented and that requests for follow-up to the agencies need to be precise in terms of responsibility.

Results-based budgeting: The experience of United Nations system organizations (JIU/REP/99/3)

9. The report has the objective to learn from the experience of other United Nations system organizations with results-based budgeting (RBB) for assisting Member States in considering the proposal on RBB for the United Nations.

10. In the report, the definition of RBB offered by the Secretary-General of the United Nation is used: a programme budget process in which (a) programme formulation revolves around a set of predefined objectives and expected results; (b) expected results justify the resource requirements which are derived from and linked to outputs required to achieve such results; and (c) actual performance in achieving results is measured by objective performance indicators (A/53/500 of 15 October 1998, summary).

11. The JIU made six recommendations:

(a) In order to ensure appropriate guidance from Member States in resolving the problem of the lack of agreed definitions for key RBB terms, the Glossary of financial and budgetary terms, currently being updated by the Consultative Committee on Administrative Questions, should be reviewed and commented upon by the appropriate bodies of the United Nations system organizations;

(b) As a means for seeking to resolve existing concerns about the possible adaptation of RBB to the United Nations, and in order to ensure an appropriate participatory role of Member States in adapting RBB to the United Nations, an open-ended working group should be established at the level of the Fifth Committee, to meet during the fifty-fourth session of the General Assembly and off-session as needed, within existing resource levels, at which Secretariat officials, including from secretariats of other organizations to the extent possible, would provide briefings and respond to questions on all aspects of RBB;

(c) Subject to a General Assembly decision to use RBB for the United Nations, the United Nations Staff College and the United Nations Institute for Training and Research should be invited to conduct seminars and workshops to help familiarize staff and representatives of Member States with RBB;

(d) Future reporting from the Secretary-General on RBB should include a comprehensive assessment of changes that would be required to ensure the readiness of the Organization for RBB, regarding areas such as regulations, procedures, management information systems and training;

(e) Reflecting the uncertainty about how to reflect external factors in the accountability of programme managers under RBB, the Secretary-General should submit to the General Assembly as soon as possible a report with recommendations on this matter, accompanied by the comments of the Advisory Committee for Administrative and Budgetary Questions (ACABQ) and the Committee for Programme and Coordination (CPC);

(f) In view of their roles in the current programme budget process, the CPC and the ACABQ should be invited to comment on their respective roles under RBB.

12. UNIDO finds that the report provides useful insight into the experience of the United Nations agencies with results-based budgeting and also correctly reflects the situation of UNIDO.

II. NOTE SUBMITTED BY THE JOINT INSPECTION UNIT TO UNIDO

13. The JIU issued a note entitled "Handling of JIU reports by UNIDO" (JIU/NOTE/2000/3). The note, which was circulated to Permanent Missions on 24 March 2000, presents the current practice of UNIDO as well as JIU comments and recommendations addressed to the Director-General.

14. The main recommendations of the note concern: (a) the transmission well in advance to Member States of full JIU reports submitted for action; (b) comments on draft reports of relevance to UNIDO; (c) allocation of sufficient time at meetings of legislative organs for consideration of JIU reports; (d) encouragement by the Director-General to UNIDO legislative organs to take specific decisions on each of the pertinent recommendations contained in JIU reports; and (e) implementation by the Director-General of the follow-up system on JIU reports and submission to relevant legislative organs of status reports concerning measures taken on the implementation of approved JIU recommendations.

15. The Director-General finds that the proposal of having the Secretariat inform Member States of the titles of reports which will soon be available on the JIU web site could be fulfilled. In consideration of the limited time available during sessions of the Board, the Director-General proposes to continue the practice of featuring in official documentation only those JIU reports of direct relevance to UNIDO, as in the present document. The UNIDO Secretariat could draw the attention of Member States to the JIU recommendations for follow-up, as adopted by the General Assembly.

III. ACTION REQUIRED OF THE BOARD

16. In compliance with the provisions of the statute of JIU and resolution 48/221 of the General Assembly providing that the recommendations made by JIU should be considered and approved by Member States prior to their implementation by the organizations, the Board may wish to review the recommendations of JIU together with the views of UNIDO thereon.

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ADMINISTRATIVE MATTERS

Activities of the Joint Inspection Unit

Report by the Director-General

Addendum

1. The present document constitutes an update to the information contained in document IDB.22/6 in order to reflect recent Joint Inspection Unit (JIU) reports on private sector involvement and cooperation with the United Nations system (JIU/REP/99/6) and policies and practices in the use of the services of private management consulting firms in the organizations of the United Nations system (JIU/REP/99/7).

Private sector involvement and cooperation with the United Nations system (JIU/REP/99/6)

2. The objective of the report was to analyse the lines along which a new partnership between the United Nations system and the private sector could be developed and how the existence of areas of mutual interest and benefit could translate concretely into actions to promote better understanding, so as to better serve the goals of the Organization as a whole.

3. The JIU noted that the United Nations system and the private sector demonstrate an increasing interest in each other as well as a willingness to cooperate more and better, as a result of a fast-evolving environment and changing circumstances. However, the objectives and nature of the partnership envisaged need to be clarified; the report draws a number of recommendations and suggestions in that sense. The report also shows that the private sector is already actively engaged in many United Nations activities, whether they are operational or related to the formulation of policy.

4. The report contains the following recommendations:

Recommendation 1: The participating organizations should set realistic objectives and expectations for their partnership with the private sector. Those objectives and expectations should be clearly enunciated and publicized, possibly through the adoption of a strategic document on

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that issue to be prepared by respective secretariats and endorsed by governing bodies;

Recommendation 2: The secretariats of the participating organizations should: (a) carry out outreach programmes targeting the private sector; and (b) designate a focal point in each organization, or at least identify easily accessible units, to serve the needs of the business community for information and assistance;

Recommendation 3: Participating organizations should: (a) ensure the presence of the United Nations representatives at relevant business events and organize joint encounters; and (b) encourage as wide as possible a participation from the private sector in their relevant activities, with special attention to enterprises (and their associations) based in developing countries and/or countries in transition;

Recommendation 4: The working group established by the Secretary-General's Senior Management Group should proceed with drafting guidelines on relations with the private sector and ensure that those guidelines are promptly disseminated throughout the Secretariat, as well as the Funds and Programmes. Those guidelines should draw on the important work that has been undertaken by some Funds and Programmes;

Recommendation 5: United Nations agencies that have not yet done so should adopt a set of guidelines, taking into consideration the work carried out by the working group mentioned in recommendation 4. Those guidelines should include a statement of principles as well as a description of procedures to be followed for dealings with the private sector;

Recommendation 6: Participating organizations should examine whether their respective staff rules and regulations are sufficient to guarantee that staff members do not hold a financial interest in commercial enterprises with which a partnership is envisaged;

Recommendation 7: Concerned offices in all participating organizations should speed up internal processes and establish specific time-frames, within the framework of existing rules and regulations, to ensure that bureaucratic procedures and lengthy time of response do not discourage initiatives from the private sector;

Recommendation 8: Suitable mechanisms for the sharing of information and best practices with regard to relations with the private sector should be established, using the Administrative Committee on Coordination structure as appropriate, to ensure consistency of policy and harmonization of relevant procedures throughout the United Nations system.

5. UNIDO welcomes this report and agrees with its recommendations. In the area of UNIDO's mandate, involvement of and cooperation with the private sector is an essential precondition for making our support effective and linking it with the business community as the key driver of industrial development. UNIDO has already complied with many of the recommendations and is in the process of following up on others. Specifically, a focal point for dealing with the private sector has been established (the Private Sector Development Branch) and a strategic document containing a set of guidelines, principles, approaches and modalities of cooperating with the private sector is being elaborated.

Policies and practices in the use of the services of private management consulting firms in the organizations of the United Nations system (JIU/REP/99/7)

6. The main objectives of the report are: first, to examine the policies and practices governing the use of private management consulting firms by the organizations of the United Nations system; secondly, to determine what practical advantages and disadvantages have resulted from the use of such firms; thirdly, to draw conclusions regarding system-wide standards, guidelines and procedures in that area, paying due regard to internal and external oversight services as a primary source of expertise in the management field; and, fourthly, to formulate recommendations designed to improve present policies and practices with a view to regulating the use of such firms.

7. The recommendations of JIU are summarized below:

Recommendation 1: Policy framework. The participating organizations should elaborate policies, standards and procedures concerning the utilization of management consulting firms, together with explicit and rational assessment criteria, for submission to their legislative organs. The organizations should, in particular, develop flexible guidelines for subcontracting, feasibility studies, procedures and checklists for the call for bids, methods for evaluating potential consulting firms and procedures for overseeing control and follow-up;

Recommendation 2: Monitoring and control. The organizations should ensure that they count with adequate internal expertise and means to monitor as closely as possible the performance of management consulting firms, including their transfer of new management skills to the organization so as to ensure the creation and preservation of institutional memory;

Recommendation 3: Follow-up actions. The organizations should conduct *ex post facto* evaluations of the performance and extent of implementation of the recommendations of management consulting firms and should share, as appropriate, the results of such evaluations;

Recommendation 4: Inter-organization cooperation and coordination. The organizations should reinforce

system-wide cooperation and coordination in the use of management consulting firms;

Recommendation 5: Conflicts of interest. The organizations should guard against possible conflicts of interest when awarding contracts to management consulting firms or when hiring former agents or personnel of these firms;

Recommendation 6: Regionally-based firms. As a cost-saving measure, preference should be given to regionally-based firms with the required expertise and qualifications, when available;

Recommendation 7: Rotation policy. The organizations should adopt a policy of rotating management consulting firms to ensure that they derive the broadest possible benefits from their relations with such firms;

Recommendation 8: Language and country of publication of advertisements for international biddings. The organizations are urged to advertise for international biddings in as many official languages and in as many countries as possible.

8. UNIDO welcomes this report, takes note of the recommendations made by the inspectors and offers the following comments:

Recommendations 1 and 2: The award of contracts and the bidding process and time-frame for processing contracts are stipulated in an administrative circular (UNIDO/DGB(O).48/Rev.1 of 20 April 1998). The procedures for monitoring and control are also stipulated therein;

Recommendation 3: An administrative instruction refers to follow-up activities covering evaluation needs: (a) contractor performance and (b) achievement of objectives and impact (Director-General's Administrative Instruction No. 9, Addendum 1 of 20 December 1998, para. 27);

Recommendation 4: UNIDO is involved through the Inter-Agency Procurement Service Organization. UNIDO also coordinates with other Vienna-based organizations (United Nations Office at Vienna, International Atomic Energy Agency and Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization) on matters pertaining to procurement of services from management consulting firms;

Recommendation 5: UNIDO procedures and guidelines ensure that no self-interest or conflict is involved when awarding contracts. Technical and financial bids are evaluated separately;

Recommendations 6 and 7: Support to regionally-based firms is preferred by UNIDO, provided the required expertise is available. By the same token, UNIDO also supports the rotation of consulting firms;

Recommendation 8: Severe financial constraints restrict the number of languages used for advertising international bidding.

ACTION REQUIRED OF THE BOARD

9. In compliance with the provisions of the statute of JIU and resolution 48/221 of the General Assembly providing that the recommendations made by JIU should be considered and approved by Member States prior to their implementation by the organizations, the Board may wish to review the recommendations of JIU together with the views of UNIDO thereon.

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IMPLEMENTATION OF THE INTEGRATED PROGRAMMES

Report by the Director-General

Reports on the implementation of General Conference decision GC.8/Dec.18, in compliance with paragraph (d) of that decision.

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Introduction

1. In decision GC.8/Dec.18, the General Conference took note of reports by the Director-General on implementation of the Business Plan in the regions. The present document addresses the status of the integrated programmes and provides information on complementary activities in each region. The document should be considered in conjunction with the *Annual Report 1999*, chapters I and III.A. Specific, up-to-date information on the integrated programmes for individual countries will be provided during the session.

2. Since their inception in 1998, integrated programmes have become the main vehicle for UNIDO technical cooperation activities. Currently, there are 29 ongoing programmes: 10 in Africa, 6 in Arab countries, 3 in Asia and the Pacific, 5 in Europe and NIS and 5 in Latin America and the Caribbean. An additional 11 programmes are at various stages of development, and a further 18 will be reviewed in September 2000 for possible formulation in the same year.

I. LEAST DEVELOPED COUNTRIES

3. The priority accorded to least developed countries (LDCs) in the development and implementation of integrated programmes, as reported in the *Annual Report 1999* (IDB.22/2, chap. II.B), is in full accord with the Business Plan. In 1999 four additional programmes were developed and approved for LDCs (Ethiopia, Mozambique, Sudan, Yemen), bringing the total number to nine, with a total value of $58 million. During the period July to October 1999, the three Managing Directors visited eight African LDCs to review the progress of implementation of the ongoing programmes (Uganda, United Republic of Tanzania) and to discuss the priority areas for development of new ones (Benin, Lesotho, Mali, Niger, Togo, Zambia).

II. AFRICA

4. UNIDO technical assistance to sub-Saharan Africa and LDCs emphasizes institutional capacity-building for the enhancement of industrial competitiveness and private sector development. The basic philosophy is to give key stakeholders in industrial subsectors the basic tools to determine their own industrial development needs and priorities, and to assist them in defining and establishing their own comprehensive medium-term and long-term industrial development agenda. UNIDO integrated programmes generally have addressed some common subsectoral and cross-sectoral thematic priorities:

- Enhancing competitiveness of agro-industries;
- Capacity-building in quality management, standardization and certification;
- Development of industrial partnership and investment promotion;
- Promotion of micro, small and medium enterprises (MSMEs);
- Development of environmental programmes;
- Capacity-building in industrial governance.

5. In addition to the seven integrated programmes finalized in 1998, development was initiated in 1999 in respect of 13 programmes, of which four (Côte d'Ivoire, Ghana, Mozambique, Senegal) were approved, five (Eritrea, Lesotho, Mali, Namibia, Nigeria) will be finalized and reviewed in early 2000 and the programming missions for the remaining four countries (Cameroon, Madagascar, Togo, Zimbabwe) will commence in mid-2000.

6. Implementation of integrated programmes has commenced in 10 countries (a total outlay of $73 million) with the contribution of seed money from the Industrial Development Decade for Africa (IDDA), the Danish Fund and other Industrial Development Fund resources. So far, the seed money has achieved three main goals:

- To demonstrate UNIDO's commitment to the programmes and establish a true partnership with the client countries;
- To initiate the implementation of the programme to avoid loss of momentum;
- To leverage additional donor funds.

7. Over 50 per cent of IDDA resources were allocated to integrated programme formulation and implementation in the 1998-1999 biennium. For 2000-2001, the Secretariat has earmarked more than 80 per cent ($8 million) of the resources for the development and implementation of the integrated programmes. It is noteworthy that:

- UNIDO attempted to ensure that the implementation of programmes developed in 1998 and 1999 is not disrupted, that the Director-General's pledges to ministers are honoured and that new programmes are given a fair chance to be started;

- Funds were also allocated to programmes in African Arab countries including Algeria, Egypt, Morocco, Tunisia and Sudan;

- All programmes in Africa will receive some funding to ensure equity.

8. A summit on industrial development was organized as part of the thirty-fourth meeting of the Organization of African Unity Heads of State in Algiers in August 1999. UNIDO also collaborated in the organization of the fourteenth Conference of African Ministers of Industry (CAMI-14) at Dakar in October 1999. The first meeting of the Bureau of CAMI-14 was hosted by UNIDO in Vienna at the end of November 1999 as a parallel event with the General Conference of UNIDO.

9. Additional information on the UNIDO programme for Africa, including global forum activities, advocacy and constituency-building is provided in the *Annual Report 1999* (IDB.22/2, chap. II.B).

III. ARAB REGION

10. As the basis for the formulation of strategies to support the Arab region, a new UNIDO subregional approach was adopted, based on an analysis of commonalities in their economies. The common focus of the region is employment and competitiveness and practical issues related to the World Trade Organization. The issues of the subregions to be addressed are:

- Arab Mediterranean countries—need to urgently modernize, expand and diversify industry;

- Arabian Gulf countries (oil-based economies)—scope for expansion with forward integration; industrial diversification; technology transfer; quality, standardization and metrology;

- Palestine and Arab LDCs—small weight of manufacturing industry; processing of agricultural products; import substitution.

11. Integrated programmes have been prepared for Algeria, Jordan, Morocco, the Palestinian Authority, Saudi Arabia, Sudan, Tunisia and Yemen (of these, six are ongoing). The framework for technical cooperation for Egypt is under finalization. The total budget for the eight integrated programmes would amount to $49 million. The amount actually allocated—including seed money—was $4.7 million (as of February 2000), with pledges amounting to $6.7 million.

12. UNIDO plans to develop integrated programmes for Djibouti, Kuwait, Lebanon, Syrian Arab Republic and United Arab Emirates in 2000. With these additions, the total number of programmes will reach 14 and will provide a coverage of 70 per cent of the region.

13. Programme activities at the national level were complemented by cooperation at the regional level:

- The Arab Regional Forum on Industry held at Cairo, Egypt, from 6 to 7 November 1999, was based on the characteristics of the economies in the region, and discussed such issues as job creation, labour productivity, quality, new technologies and how to most effectively proceed to link Arab markets with those of the industrialized world;

- Cooperation with the Arab Industrial Development and Mining Organization (AIDMO) and the United Nations Economic and Social Commission for Western Asia (ESCWA) was strengthened by identifying areas for closer cooperation and implementation. A joint communiqué was released in November 1999 that identifies specific areas of cooperation with both organizations;

- Cooperation with AIDMO and UNEP will be strengthened in the areas of environment, information and technology transfer, as agreed in a 1999 meeting between the League of Arab States and numerous United Nations organizations;

- UNIDO has provided a number of inputs to the Turin Centre (ILO) for training courses in support of Arab countries.

14. Based on the agreement with the Arab Maghreb Union countries, programmes are being formulated for developing capabilities in industrial policies and strategies.

IV. ASIA AND THE PACIFIC

15. The subregional approach applied in Asia and the Pacific grouped the countries in South Asian economies, transition economies and LDCs. The main focus areas of UNIDO strategy are poverty reduction, industrial capacity-building through investment promotion, industrial restructuring and policy reform, and environmentally sustainable industrial development.

16. Integrated programmes have been prepared for India, Sri Lanka and Thailand, with total budgets for the three programmes amounting to $21 million. The amount actually allocated is $2.7 million (as of February 2000). Four programmes (Islamic Republic of Iran, Lao People's Democratic Republic, Nepal, Pakistan) are at various stages of development. UNIDO plans to start developing integrated programmes for Bangladesh and Mongolia in 2000.

17. Dominant themes of integrated programmes in the region to date are:

- Building industrial policy formulation capacity;
- Development and promotion of competitiveness of agro-industry and SMEs;
- Promotion of investment and technology transfer;
- Promotion of environmentally sustainable programmes/projects.

18. An important complementary activity was the Asia-Pacific Regional Forum on Industry convened at Bangkok in September 1999. High-ranking government officials, business leaders, academics, international organizations and civil society organizations addressed such important and topical issues as the implications of the Asian crisis for industry and industrial policy in the region, reforms and strategies to promote SME development, and the need to formulate a strategic vision and appropriate industrial policies for the new millennium.

V. EUROPE AND NIS

19. Many countries in the Europe and NIS region suffer from:

- Erosion of industrial potential;
- Declining contribution of industry to GDP;
- Ageing technologies;
- Poor product quality;
- Environmental degradation resulting from previous industrial activities;
- Low utilization of installed production capacity disguising a rising trend in hidden unemployment;
- Narrowing markets for locally-manufactured goods;
- Difficulties in increasing foreign capital inflows to industrial sectors;
- Lack of clear vision or strategy for industrial development in the twenty-first century or for confronting challenges faced by the manufacturing sector.

20. Notwithstanding the above, the industrial sector plays and will continue to play an increasing role in the transition of the economies of the region into dynamic, developed market economies. They are, moreover, economies which in many cases already possess many of the preconditions for completing this transition process, and which have an important role to play in the process of increasing globalization of world industry. This in turn calls for a special approach to technical cooperation in the region.

21. Because of the heterogeneous nature of the countries of the region and the conscious effort to address the challenges faced by countries at different levels of industrial development, a wide range of service modules enter into the various integrated programmes. Nevertheless, requests from the countries in the region for cooperation from UNIDO address their priorities in a number of common areas:

- Cleaner production and environmental management;
- Investment and technology promotion;
- Quality, standardization, and conformity assessment;
- Private sector development.

22. Each programme has certain additional country-specific features in its design. In this respect, one of the hallmarks of the regional and country specificity of integrated programmes in the region is the emphasis on the development of industrial capacities, not only at the national but also at the regional and local levels.

23. Against this background, five integrated programmes have been developed and are ongoing, covering Armenia, the Russian Federation and its three regions (Moscow Oblast, St. Petersburg, Republic of Bashkortostan), with a total outlay of $22 million. Development work was also carried out on draft integrated programmes for Romania and Uzbekistan. For other countries of the region (such as the former Yugoslav Republic of Macedonia), programmes of cooperation are being designed that are also characterized by an integrated approach to addressing, with the recipient country, the needs for technical cooperation in industry, but in a less formal fashion.

24. Preparations are being made for a regional forum on industrial cooperation and partnership in Central and Eastern Europe and NIS. The forum, to be held in 2000 under the joint sponsorship of UNIDO and the Ministry of Economic Affairs of Hungary, will attempt to give a specific regional dimension to both the global analysis undertaken and conclusions drawn from the UNIDO Forum on Sustainable Industrial Development (29 November-1 December 1999). In particular, the forum will promote industrial cooperation and partnership in the region within the context of increasing globalization in the new millennium.

VI. LATIN AMERICA AND THE CARIBBEAN

25. For the countries in Latin America and the Caribbean, UNIDO applied one of three approaches:

- Promotion and implementation of integrated programmes;
- Promotion and implementation of a single module;
- Strategic knowledge-intensive advisory and policy monitoring services.

26. Through establishment of a continued dialogue with UNIDO stakeholders and effective multidisciplinary missions, UNIDO attempts to address the following issues in developing programmes in the region:

- Lack of national consensual vision;
- Social and economic inequity;
- Poverty alleviation;
- Development of export industries;
- Development of medium and small businesses;
- Growing environmental concerns;
- Absence of efficient regional knowledge-sharing mechanisms.

27. Against this background, integrated programmes were prepared and approved for Bolivia, Colombia, Cuba, Guatemala and Honduras with a total outlay of $34 million. The amount actually allocated—including seed money—was $2.9 million (as of February 2000). Discussions are ongoing with the authorities of Ecuador, Nicaragua and Paraguay concerning the possibility of developing integrated programmes.

28. With seed money resources from UNIDO's Regular Programme for Technical Cooperation (RP) in 1999, the implementation of these programmes gained considerable momentum. With a total of RP funds of approximately $650,000 and a significant government special-purpose contribution in the case of Guatemala, most of the components of all five integrated programmes could be started or further developed. In many cases, promising results were achieved which, in turn, will facilitate further implementation.

29. Upon request of the Government of Mexico, a preparatory assistance project has been prepared for developing a programme to support the food-processing industry in Chiapas State, with particular emphasis on women's entrepreneurship development. A mission fielded in March 2000 held discussions with the Ministry of Foreign Affairs, local authorities and individuals in the private sector. UNIDO's intervention will concentrate on two major areas: micro, small and medium food-processing units and the development of women's entrepreneurship at the MSME level.

30. As a joint initiative to address the need for an efficient regional knowledge-sharing mechanism, UNIDO convened a meeting on technology foresight with its International Centre for Science and High Technology at Trieste, Italy, in December 1999. The objective was: (a) to build further awareness of and support for technology foresight among Latin American decision-makers and researchers; (b) to secure political and technical endorsement for an action plan for a regional technology foresight initiative; and (c) to establish a Latin American network for interaction and dissemination of information. The meeting was attended by more than 130 participants from over 30 countries, including top representatives from the public and private sector, national technology councils, technological support institutions and academia. Several donor countries confirmed their interest in cooperating with the programme, and Argentina, Brazil, Chile, Colombia, Uruguay and Venezuela expressed their commitment to cooperate with the network and initiate actions for conducting technology foresight in their respective countries.

31. To complement these efforts, a cooperation arrangement is being developed with the Economic Commission for Latin America and the Caribbean (ECLAC). In February 2000, UNIDO received a high-level ECLAC delegation headed by its Executive Secretary. In a general presentation to UNIDO senior management on the mandate and work programme of the Commission, emphasis was placed on the macroeconomic performance of the region during the 1990s and its expectations for the years to come. At the micro level, ECLAC's presentation on productivity growth and productivity gaps between the countries of the region and the United States of America provided interesting insights on the performance of certain industries in Latin America and the Caribbean. Closer cooperation with ECLAC was discussed for the future, whereby ECLAC's analyses could be put to use for UNIDO's programme in the region.

VII. ACTION REQUIRED OF THE BOARD

32. The Board may wish to take note of the information provided in the present document.

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IMPLEMENTATION OF THE INTEGRATED PROGRAMMES

Report by the Director-General

Corrigendum

Page 3

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- Arab Mediterranean countries—need to urgently modernize, expand and diversify industry;
- Persian Gulf countries (oil-based economies)—scope for expansion with forward integration; industrial diversification; technology transfer; quality, standardization and metrology;
- Palestine and Arab LDCs—small weight of manufacturing industry; processing of agricultural products; import substitution.

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- Arab Mediterranean countries—need to urgently modernize, expand and diversify industry;
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- Palestine and Arab LDCs—small weight of manufacturing industry; processing of agricultural products; import substitution.

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FINANCIAL SITUATION OF UNIDO, INCLUDING ARREARS

Report by the Director-General

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I. OVERVIEW

1. The financial situation as at 31 March 2000 can be summarized in the following major points:

(a) The regular budget is being implemented with an increased initial allocation; expenditure for the first quarter amounted to 32 per cent of the appropriations for 2000;

(b) The operational budget recorded a surplus of $0.4 million and the reserve level was increased to $2 million;

(c) The level of regular budget cash resources (including the Working Capital Fund and unutilized/unencumbered balances of appropriations) was $21.7 million. As compared to this, the cash balance as at 31 March 1999 and 1998 was $25.3 million and $27.1 million respectively;

(d) The collection rate of 2000 assessed contributions was 35.9 per cent and was unfavourable compared to the 1999 and 1998 rates of 47.4 and 51 per cent, respectively. One reason for the lower collections during the first quarter of 2000 is that some major contributors have not yet paid, or have only made partial payments. The collection rate is, however, expected to improve as soon as already-announced larger contributions are received;

(e) The collection rate of prior years' arrears, as compared to the current year's assessments, was 2.7 per cent. (The rate, however, as compared to prior years' arrears, excluding the amount owed by the United States, was 3.2 per cent.) The rates as at 31 March 1999 and 1998, as compared to the assessments of those years, were 1.2 and 2.9 per cent, respectively.

(f) Outstanding contributions amounted to $141.2 million (including $61.8 million owed by the United States of America). The outstanding amounts as at 31 March 1999 and 1998 were $134.8 million and $126 million, respectively (revalued at the March 2000 rate of exchange);

(g) The Working Capital Fund is at the level of $6,610,000; however, an amount of $227,735 is still outstanding;

(h) Since the issuance of document GC.8/17, there has been no significant progress on the implementations of recommendations of the discussion group on timely payment of assessed contributions;

(i) Unutilized/unencumbered balances of appropriations amounting to $4,405,323 arising from the adoption of resolution GC.8/Res.4 by the General Conference are available for the implementation of the integrated programmes, particularly for least developed countries.

2. The integrated financial performance report as of 31 March 2000 is contained in annex I to the present document. This report was introduced in 1999 as an internal management tool that summarizes major organizational performance indicators.

II. STATUS OF THE REGULAR AND OPERATIONAL BUDGETS

3. Regular budget implementation of the approved programme and budgets 2000-2001 started as planned. In view of the expected collection rate of assessed contributions of some 95 per cent during the year (both for current and prior years), as well as the healthy cash position of the Organization at the beginning of 2000, an average release of 91 per cent of the appropriations for 2000 under the regular budget, excluding Buildings Management Service (BMS), was approved. This included 100 per cent release for staff costs, the Regular Programme of Technical Co-operation and information technology; and an average of 70 per cent under consultants, travel, meetings and operating costs. This pattern compares favourably with the start of the 1998-1999 biennium, whereby after the first three months of 1998 only 84 per cent of the appropriations were released due to the requirements of the staff separation programme and the poor cash position of UNIDO.

4. The BMS gross appropriation was released at the level of 85 per cent. Significant savings are anticipated in utilities and maintenance costs. While the level of service provided by BMS will be as planned, the related costs are expected to be lower by 15 per cent.

5. Expenditures during the period 1 January to 31 March 2000 amounted to $26.5 million under the regular budget. This amount corresponds to 32 per cent of the total appropriation for 2000. As compared to this, the percentages in 1999 and 1998 were 23 and 16 per cent respectively. The current value represents a smooth budget implementation with a lesser risk of delaying or non-implementing approved programmes.

6. In order to improve the level of reserve by the end of 2000, the initial allocation for the operational budget was limited to some 63 per cent of the approved estimate. With $26.5 million delivery of technical cooperation projects as at 31 March 2000, the income for the first quarter amounted to $3.3 million. Expenditures were recorded at the level of 2.9 million, leading to a surplus of $0.4 million for the same period. The level of reserve increased from $1.6 million to $2 million as at 31 March 2000.

III. STATUS OF ASSESSED CONTRIBUTIONS

A. Collections

7. A total of 28 Member States, including two least developed countries, have made full payments and 10 Member States have made partial payments of their assessed contributions for the year 2000.

8. The collections in the period from January to March 2000, broken down by Lists of States, are shown in table 1.

B. Outstanding contributions

9. The detailed status of assessed contributions outstanding as at 31 March 2000 is contained in annex II to the present document. The charts provide information on outstanding contributions as at 31 March 2000, and at 31 March 1999 and 31 March 1998, which have been revalued for comparison.

10. The scale of assessment and outstanding contributions as at 31 March 2000, broken down by Lists of States, are shown in table 2.

Table 1. Collections, January - March 2000
(in millions of US dollars)

*Lists of States**	*Current year*	*Prior years*	*Total*
A	1.6	0.1	1.7
B	19.7	0.1	19.8
C	0.4	0.1	0.5
D	0.4	1.0	1.4
Others	0.0	0.0	0.0
USA	0.0	0.3	0.3
Total	**22.1**	**1.6**	**23.7**

* As contained in document GC.8/11/Rev.2.

Outstanding contributions as at 31 March
(in millions of US dollars)

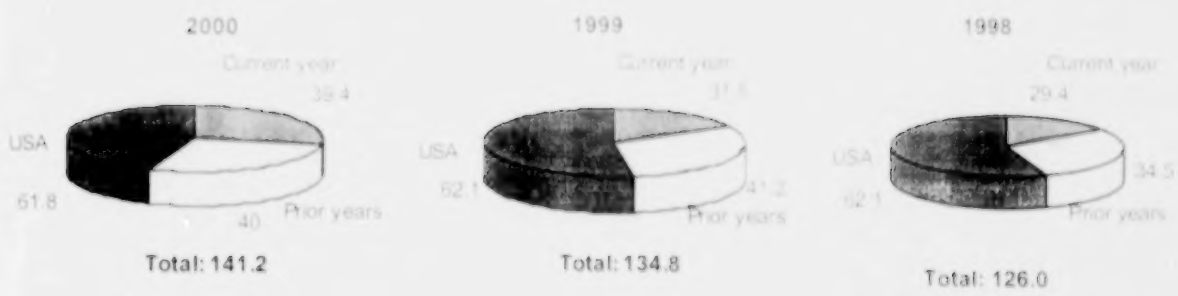

Table 2. Scale of assessment and outstanding contributions, as at 31 March 2000

Lists of States *	*Scale of assessment (%)*	*(Millions of US dollars)*		
		Current year	*Prior years*	*Total*
A	7.85	3.21	9.97	13.18
B	82.80	31.30	0.24	31.54
C	6.38	3.48	11.71	15.19
D	2.95	1.38	17.75	19.13
Others	0.02	0.1	0.41	0.42
Subtotal	100.00	39.38	40.08	79.46
USA		0.0	61.78	61.78
Total	**100%**	**39.38**	**101.86**	**141.24**

* As contained in document GC.8/11/Rev.2.

IV. SUSPENSION OF VOTING RIGHTS OWING TO NON-PAYMENT OF CONTRIBUTIONS

11. As indicated in annex II to the present document, the voting rights of 67 Member States had been suspended as at 31 March 2000 in accordance with Article 5.2 of the Constitution and financial regulation 5.5(b), as shown in table 3.

Table 3. Suspension of voting rights, as at 31 March 2000

Members of	*Number of Member States*		
	2000	*1999*	*1998*
General Conference	67	70	68
Industrial Development Board	7	8	8
Programme and Budget Committee	4	6	5

12. In order to restore their voting rights for the remainder of 2000, these Member States must pay their full contributions for 1997 and prior years, including advances to the Working Capital Fund, as well as a partial contribution for 1998. The minimum total amount that would have to be paid by these Member States is $23,937,208.

V. IMPLEMENTATION OF RECOMMENDATIONS OF DISCUSSION GROUP ON TIMELY PAYMENT OF ASSESSED CONTRIBUTIONS

13. Detailed information was provided in document GC.8/17, chapter IV, on the implementation of the measures recommended by the open-ended discussion group on timely payment of assessed contributions. Since that time no further development has taken place, and no payment under the plan has been received to date. Letters were again sent in December 1999 reminding Member States of their obligations and of the possibility to settle arrears through payment plans, as well as of incentives to encourage early payment of contributions. Furthermore, informal consultations were held on an individual basis with a number of Member States, as well as with various regional groups.

A. Arrears owed by the United States of America

14. As reported in documents GC.8/17 of 29 September 1999 and GC.8/CRP.4 of 26 November 1999, the United States owed $62,113,175 against assessed contributions and $849,107 against the Tax Reimbursement Agreement. Since that time, the United States has requested that its share of the unutilized/unencumbered balances of appropriations amounting to $334,624 be credited against its outstanding contributions. With the application of this credit, the current status of the amounts owed to UNIDO is as follows:

Assessed contributions for 1994 to 1996	$61,778,551
Income taxes (under the Tax Reimbursement Agreement)	$ 849,107

B. Incentives for early payment

15. Incentives for early payment were also discussed in document GC.8/17. As mentioned in paragraph 16 of that document, a report will be issued to the sixteenth session of the Programme and Budget Committee on any improvement in the pattern of payments by Member States. That document may indicate the extent to which the incentive measures have motivated them to pay their assessed contributions earlier as compared with previous years. It will also report on the experience of other United Nations organizations that have adopted incentive schemes and payment plans.

16. Pursuant to decision GC.8/Dec.10, interest income in excess of the budgetary estimates for 1999 in the amount of $97,385 is available for distribution. This amount will either be distributed to eligible Member States in accordance with the "S curve" formula or utilized for purposes specified by the eligible Member States.

VI. UNUTILIZED UNENCUMBERED BALANCES OF APPROPRIATIONS FOR 1992-1993 AND 1996-1997

A. Amount available for the integrated programmes

17. As mandated by the General Conference in its resolution GC.8/Res.4, the Director-General established a special account with effect from 1 January 2000 and transferred the full amount of $5,622,412, as shown in document GC.8/CRP.5/Add.1 (i.e. the amount to which Member States were eligible and the amount that was due at a later date). All requests to surrender the balances (e.g. refunds, applications against assessed contributions and special purposes) received from eligible Member States by 31 March 2000 were met from this account. Table 4 summarizes the status of the special account as at 31 March 2000, and shows the total amount available for the integrated programmes, particularly for least developed countries.

18. Member States and the former Member States that requested that their share to which they were eligible be refunded, applied against assessed contributions or set aside for special purposes are: Belgium, Canada, Colombia, Denmark, Germany, India, Iran (IslamicRepublic of), Israel, Malaysia, Mexico, Norway, Philippines, Saudi Arabia, Slovakia, Turkey, United States of America.

Table 4. Status of special account, as at 31 March 2000

Amount available as of 1 January 2000	$5,622,412
Requests received for refunds, applications against assessed contributions and for special purposes (14 Member States and 2 former Member States)	$1,373,053
Amount available in the special account as at 31 March 2000	$4,249,359
Additional amount renounced by Australia (due from previous credits, and adjustments to the WCF)	$ 155,964
Total amount available for the integrated programmes	**$4,405,323**

19. The total amount ($4,405,323) available in the special account consists of: $1,624,251 from six Member States (China, Japan, Morocco, Netherlands, Republic of Korea, United Kingdom of Great Britain and Northern Ireland—these Member States explicitly renounced their shares); $259,113 ($103,149, as in GC.8/CRP.5/Add.1, and the additional amount of $155,964) renounced by Australia; and $2,521,959 from the remaining 148 Member States from whom **no** request for surrender was received by the deadline established by the General Conference (i.e. 31 March 2000).

20. Since the above funds are considered to be voluntary contributions, financial rule 106.21 requires that support costs be charged at the rate of reimbursement to executing agencies currently applied by UNDP (i.e. 13 per cent), unless the estimated actual costs of programme support and administrative services justify a different rate. As most of the funds are made available in a programme form, i.e. UNIDO can allocate the funds and they will be utilized in the context of large integrated programmes, the cost of obtaining, programming and using the funds is expected to be lower than the normal voluntary contributions for individual projects. Therefore, the Director-General has decided to apply a rate of 6.5 per cent to the funds (i.e. 50 per cent of the normal rate).

21. As requested by the General Conference, the Director-General will report to the Industrial Development Board at its twenty-third session, through the Programme and Budget Committee, on the utilization of the above amount that became available for the integrated programmes.

VII. IMPLEMENTATION OF A NEW FINANCIAL SYSTEM

22. During the deliberations on the implications of the euro for UNIDO, it was clear that a new financial system would be required during 2001 to ensure that UNIDO is fully prepared to use the euro as a single currency (for budgeting, assessment, accounting and reporting) by 1 January 2002 for the regular and operational budgets, and United States dollars (for technical cooperation activities). Furthermore, an Organization-wide needs assessment clearly showed that better financial and information computer systems were required to enhance and support efficiently and effectively the Organization's requirements.

23. An international competitive bidding exercise was carried out in early 2000 to determine the best and most cost-effective solution for UNIDO needs, which resulted in the selection of a new financial performance control system for UNIDO at a cost of about $1.1 million. The selected contractor has recently successfully completed the installation of a new accounting system at the International Atomic Energy Agency. The implementation work at UNIDO is expected to commence shortly and it is expected that part of the new system will be in place by the end of 2000.

VIII. ACTION REQUIRED OF THE BOARD

24. The Industrial Development Board may wish to consider adopting the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information provided in document IDB.22/8;

"(b) Also takes note of the information contained in paragraph 16 of document IDB.22/8 concerning the availability of interest income for distribution;

"(c) Further takes note of the total amount ($4,405,323) that became available for the purpose of funding the implementation of the integrated programmes, particularly for least developed countries, and the requirement to report to the twenty-third session of the Board, through the Programme and Budget Committee, on the utilization of these funds (IDB.22/8, chap. VI);

"(d) Urges those Member States that have not yet paid their assessed contributions, including advances to the Working Capital Fund and prior years' arrears, to do so without delay."

Annex I

INTEGRATED FINANCIAL PERFORMANCE REPORT, AS AT 31 MARCH 2000

(in millions of US dollars)

Category		*Information*	*31 December 1999**	*31 March 2000*
1. TC: Programming and internal approval	(a)	Programming missions: completed/planned	30/8	1/22
	(b)	Service summary sheets	135	12
	(c)	Integrated programmes approved (continued)	32 at $198.4	32 at $198.4
	(d)	Single modules approved (cumulative)	74 at $20.1	14 at $14.5
2. TC: Donor approval	(a)	PADs issued (net approvals) incl. MP + RPTC	$81.6	$17.9
	(b)	Montreal Protocol projects approved (cumulative)	$31.9	$0.7
	(c)	PAD issued for integrated programmes (cumulative)	$29.5	$1.2
	(d)	Estimated donor approvals (2000) incl. MP + RPTC	$81.6	$90-100
3. TC: Implementation and status of OB income	(a)	Estimated level of implementation incl. MP + RPTC	N.A.	$81.5
	(b)	Actual level of implementation	$83.5	$26.5
	(c)	Number and balance of "old regime" projects	442 at $30.6	386 at $27.7
	(d)	Actual level of OB income (cumulative)	$10.1	$3.3
	(e)	Actual level of OB expenditure (cumulative)	$11.1	$2.9
	(f)	Actual OB reserve	$1.6	$2.0
	(g)	Estimated OB income (2000)	$10.1 (actual)	$10.1
	(h)	Estimated technical service income (part of OB)	$1.2	$1.0
	(i)	Estimated OB expenditure (2000)	$11.1 (actual)	$9.1
	(j)	Estimated OB reserve at year end	$1.6 (actual)	$2.6
4. Cash flow	(a)	Assessed contributions: Current year	$54.5 (82.9%)	$22.1 (35.9%)
	(b)	Prior years	$10.3 (16.9%)	$1.6 (2.7%)
	(c)	Expected year-end cash balance: RB (incl. WCF)	$12.9	$7.5
	(d)	OB	$2.1	$3.0
5. RB status and projections*	(a)	PADs issued against appropriations ($82 million)	$153.5 (92.8%)	$73.7 (90%)
	(b)	Expenditures to date against PAD	$149.4 (97.3%)	$26.5 (36%)
	(c)	Estimated expenditures against PAD	N.A.	$77 (104%)
	(d)	Estimated unutilized balance of appropriations	$16.1 (9.7%)	$5.0 (6%)
6. Staffing	(a)	Professional vacancy (number of posts and percentage)	60.5 (20.4%)	57.5 (19.7%)
	(b)	GS vacancy	40.5 (9.3%)	44.0 (10.1%)
	(c)	Total vacancy	101 (13.8%)	101.5 (14%)
	(d)	Possible number of external recruitment (P)	21	22 ongoing
	(e)	Possible number of external recruitment (GS)	0	0

* December 1999 figures are actual figures; block 5 shows biennial figures.

Notes to integrated financial performance report for March 2000
(Data for December 1999 included for reference)

1 (c) **Integrated programmes approved by Executive Board**. No new approvals in 2000.

2 (a) **Net cumulative approval of projects for March 2000** was $17.9 million, an improvement compared to 1999.

2 (c) **PADs for integrated programmes**: In addition to $1.2 million, the issuance of PADs is being considered for the allocation of $4.4 million from unutilized balances for 1992-1993 and 1996-1997.

2 (d) **Estimated donor approval for 2000** is $90-$100 million, an improvement from 1999. Drop in UNDP funding will be more than compensated by increases in IDF and trust fund contributions.

3 (a) **Estimated TC implementation in 2000** is $81.5 million, roughly at the same level as for 1998 and 1999. Over 40 per cent would be related to Montreal Protocol (MP) projects. It is to be noted that since January 1998, the Organization has experienced a net reduction of 130 staff members, or 17 per cent, yet TC delivery will remain at the same level, reflecting productivity improvement and staff dedication. However, it is possible that activities under the global forum function were negatively affected during 1998-1999—a situation which will be reviewed.

3 (b) **Actual TC delivery** was $26.5 million, and this is lower than March 1999 and March 1998 figures by some $6 million. The main drop was observed in MP projects, but it is expected that implementation of MP projects will improve in the coming months.

3 (g) and 3 (j) **Estimated OB income in 2000 and estimated OB reserve at year end** are $10.1 million and $2.6 million respectively. To increase OB reserve to the target of $2.6 million, we have to contain OB expenditures including staff costs.

4 (a) **Collection of assessed contributions** for current year was 36 per cent and 2.7 per cent for previous years. The collection rate for 2000 is expected to improve and this is reflected in the higher amount of PAD issued at the beginning of 2000. See 5 (a) below.

4 (c) **Expected RB cash balance** at year end is $7.5 million, which is sufficient to cope with cash requirements early in 2001. The reduction in the balance compared to 1999 is due to expected disbursement of $3 million for integrated programmes in 2000 (see 2 (c) above).

5 (a) **Issuance of PADs against 2000 appropriations** was at the rate of 90 per cent, reflecting an improved cash flow projection.

5 (d) **Estimated unutilized balance of appropriations at the end of 2000** is 6 per cent, compared to some 10 per cent for 1998-1999, indicating a higher rate of implementation of approved programmes in 2000.

6 (a) **Staffing**: The number of vacant posts at 31 March remained high (101, or 14 per cent). During 1999, the Organization experienced a net reduction of 51 staff members (8.2 per cent).

Abbreviations

MP	Montreal Protocol
OB	Operational budget
PAD	Project allotment document
RB	Regular budget
RPTC	Regular Programme of Technical Cooperation
TC	Technical cooperation
WCF	Working Capital Fund

Annex II

STATUS OF ASSESSED CONTRIBUTIONS TO THE UNIDO REGULAR BUDGET

As at 31 March 2000

	Member of	*Outstanding contributions (In equiv. US dollars) (at RoE: 14.2144)*[1]	*Year(s) outstanding*	*Status of voting rights*[2]
AFGHANISTAN		65,631	1992(p)-2000	NO
ALBANIA		19,292	1997(p)-2000	NO
ALGERIA		70,983	2000	YES
ANGOLA		9,158	2000	YES
ARGENTINA	IDB/PBC	2,385,174	1997(p)-2000	NO
ARMENIA		802,488	1992-2000	NO
AUSTRIA		440,037	2000(p)	YES
AZERBAIJAN		1,226,442	1993-2000	NO
BAHAMAS		39,895	1998(p)-2000	YES
BAHRAIN		0	-	YES
BANGLADESH		9,213	2000	YES
BARBADOS		4,805	2000	YES
BELARUS	IDB	694,572	1997(p)-2000	NO
BELGIUM		1,001,738	2000	YES
BELIZE		12	2000	YES
BENIN		12,592	1998(p)-2000	YES
BHUTAN		5,752	1999(p)-2000	YES
BOLIVIA		26,634	1997(p)-2000	NO
BOSNIA AND HERZEGOVINA		187,114	1992(p)-2000	NO
BOTSWANA		15,147	1999(p)-2000	YES
BRAZIL		9,802,837	1995(p)-2000	NO
BULGARIA		3,246	2000	YES
BURKINA FASO	IDB	54,601	1993(p)-2000	NO
BURUNDI		56,779	1993(p)-2000	NO
CAMBODIA		20,538	1997-2000	NO
CAMEROON		19,941	1998(p)-2000	YES
CAPE VERDE		82,335	1991(p)-2000	NO
CENTRAL AFRICAN REPUBLIC		96,950	1989(p)-2000	NO
CHAD		81,906	1991-2000	NO
CHILE		123,589	1999(p)-2000	YES
CHINA		902,854	2000	YES
COLOMBIA		72,353	2000(p)	YES
COMOROS		117,590	1986-2000	NO
CONGO		93,659	1989(p)-2000	NO
COSTA RICA		94,455	1991(p)-2000	NO
COTE D'IVOIRE		7,985	2000	YES
CROATIA		98,443	1999(p)-2000	YES
CUBA	IDB/PBC	163,291	1997(p)-2000	NO
CYPRUS		0	-	YES
CZECH REPUBLIC		0	-	YES
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	PBC	351,874	1993(p)-2000	NO
DEMOCRATIC REPUBLIC OF THE CONGO		96,904	1989(p)-2000	NO
DENMARK		0	-	YES
DJIBOUTI		80,996	1991(p)-2000	NO
DOMINICA		0	-	YES
DOMINICAN REPUBLIC		262,869	1986-2000	NO
ECUADOR	IDB/PBC	98,378	1996(p)-2000	NO
EGYPT		0	-	YES
EL SALVADOR		116,474	1988-2000	NO
EQUATORIAL GUINEA		117,590	1986-2000	NO
ERITREA		2,915	1999(p)-2000	YES

	Member of	Outstanding contributions (In equiv. US dollars) (at RoE: 14.2144)[1]	Year(s) outstanding	Status of voting rights)[2]
ETHIOPIA		5,440	2000	YES
FIJI		5,173	1999(p)-2000	YES
FINLAND		0	-	YES
FRANCE		5,938,567	2000	YES
GABON		64,351	1995(p)-2000	NO
GAMBIA		73,388	1991(p)-2000	NO
GEORGIA		1,400,834	1992-2000	NO
GERMANY		4,212,316	2000(p)	YES
GHANA		6,116	2000	YES
GREECE		0	-	YES
GRENADA		84,461	1990(p)-2000	NO
GUATEMALA	IDB	210,371	1990(p)-2000	NO
GUINEA		51,735	1994(p)-2000	NO
GUINEA-BISSAU		101,678	1988(p)-2000	NO
GUYANA		159	2000	YES
HAITI		1,369	2000	YES
HONDURAS		3,755	1999(p)-2000	YES
HUNGARY		0	-	YES
INDIA		0	-	YES
INDONESIA		388,087	1998(p)-2000	YES
IRAN (ISLAMIC REPUBLIC OF)	IDB	1,193,349	1997(p)-2000	NO
IRAQ		1,281,884	1991-2000	NO
IRELAND		0	-	YES
ISRAEL		303,338	2000(p)	YES
ITALY		4,933,144	2000	YES
JAMAICA		5,041	2000(p)	YES
JAPAN		11,632,039	2000(p)	YES
JORDAN		5,440	2000	YES
KAZAKHSTAN		529,424	1997-2000	NO
KENYA		7,945	1999(p)-2000	YES
KUWAIT		0	-	YES
KYRGYZSTAN		326,626	1993-2000	NO
LAO PEOPLE'S DEMOCRATIC REPUBLIC		0	-	YES
LEBANON		15,608	1999(p)-2000	YES
LESOTHO		955	2000	YES
LIBERIA		91,118	1990(p)-2000	NO
LIBYAN ARAB JAMAHIRIYA		427,506	1998(p)-2000	YES
LITHUANIA		524,846	1995-2000	NO
LUXEMBOURG		0	-	YES
MADAGASCAR		8,765	1998(p)-2000	YES
MALAWI		28,271	1996(p)-2000	NO
MALAYSIA		40,605	2000(p)	YES
MALDIVES		10,622	1998(p)-2000	YES
MALI		11,502	1998(p)-2000	YES
MALTA		0	-	YES
MAURITANIA		99,179	1988(p)-2000	NO
MAURITIUS		0	-	YES
MEXICO		498,421	2000(p)	YES
MONGOLIA		7,316	1999(p)-2000	YES
MOROCCO		37,465	2000	YES
MOZAMBIQUE		0	-	YES
MYANMAR		13,318	1999(p)-2000	YES
NAMIBIA		6,116	2000	YES
NEPAL		8,735	1999(p)-2000	YES
NETHERLANDS		4,780	2000(p)	YES
NEW ZEALAND		0	-	YES
NICARAGUA		117,577	1986-2000	NO
NIGER		82,366	1991(p)-2000	NO
NIGERIA		198,250	1998(p)-2000	YES

Member of	Outstanding contributions (In equiv. US dollars) (at RoE: 14.2144)[1]	Year(s) outstanding	Status of voting rights[2]
NORWAY	0	-	YES
OMAN	46,064	2000	YES
PAKISTAN	53,434	2000	YES
PANAMA	36,233	1996(p)-2000	NO
PAPUA NEW GUINEA	26,429	1997(p)-2000	NO
PARAGUAY	19,011	1998(p)-2000	YES
PERU	182,573	1998(p)-2000	YES
PHILIPPINES	54,942	2000(p)	YES
POLAND	0	-	YES
PORTUGAL	629,856	1999(p)-2000	YES
QATAR	106,496	1997(p)-2000	NO
REPUBLIC OF KOREA	0	-	YES
REPUBLIC OF MOLDOVA	759,874	1993(p)-2000	NO
ROMANIA	42,396	2000	YES
RUSSIAN FEDERATION	4,837,005	1998(p)-2000	YES
RWANDA	60,869	1993(p)-2000	NO
SAINT KITTS AND NEVIS	29,022	1996(p)-2000	NO
SAINT LUCIA	1,757	1999(p)-2000	YES
SAINT VINCENT AND THE GRENADINES	96,478	1989(p)-2000	NO
SAO TOME AND PRINCIPE	117,590	1986-2000	NO
SAUDI ARABIA	1,640,797	1998(p)-2000	YES
SENEGAL	11,738	1998(p)-2000	YES
SEYCHELLES	35,069	1995(p)-2000	NO
SIERRA LEONE	82,373	1990(p)-2000	NO
SLOVAKIA	0	-	YES
SLOVENIA	113,583	1999(p)-2000	YES
SOMALIA	117,577	1986-2000	NO
SPAIN	2,351,105	2000	YES
SRI LANKA	11,056	2000	YES
SUDAN	6,956	1999(p)-2000	YES
SURINAME	29,836	1996(p)-2000	NO
SWAZILAND	0	-	YES
SWEDEN	0	-	YES
SWITZERLAND	0	-	YES
SYRIAN ARAB REPUBLIC	0	-	YES
TAJIKISTAN	241,150	1993(p)-2000	NO
THAILAND	154,161	2000	YES
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	15,269	1998(p)-2000	YES
TOGO	62,217	1993(p)-2000	NO
TONGA	12	2000	YES
TRINIDAD AND TOBAGO	70,895	1997(p)-2000	NO
TUNISIA	25,172	2000	YES
TURKEY	399,221	2000	YES
TURKMENISTAN	172,916	1995-2000	NO
UGANDA	48,188	1994(p)-2000	NO
UKRAINE	8,406,389	1994(p)-2000	NO
UNITED ARAB EMIRATES	247,855	1999(p)-2000	YES
UNITED KINGDOM	0	-	YES
UNITED REPUBLIC OF TANZANIA	66,840	1992(p)-2000	NO
URUGUAY	86,459	1998(p)-2000	YES
UZBEKISTAN	392,835	1996(p)-2000	NO
VANUATU	67,444	1992(p)-2000	NO
VENEZUELA	532,580	1998(p)-2000	YES
VIET NAM	0	-	YES
YEMEN	57,518	1994(p)-2000	NO

	Member of	Outstanding contributions (In equiv. US dollars) (at RoE: 14.2144)[1]	Year(s) outstanding	Status of voting rights[2]
YUGOSLAVIA[3]		1,827,794	1990(p)-2000	NO
ZAMBIA		43,721	1994(p)-2000	NO
ZIMBABWE		8,025	1999(p)-2000	YES
SUBTOTAL (168 Member States)		79,464,161		
UNITED STATES OF AMERICA[4]		*61,778,555*	*1994(p)-1996*	*Non-member*
TOTAL		**141,242,716**		

Summary of outstanding contributions by year	*Dollars*	*Schillings*	*Total dollar equivalent (at RoE: 14.2144)*
1986	44,940		44,940
1987	47,561		47,561
1988	73,269		73,269
1989	98,407		98,407
1990	478,036		478,036
1991	722,339		722,339
1992	906,685		906,685
1993	1,345,994		1,345,994
1994	9,086,194		9,086,194
1995	35,404,861		35,404,861
1996	31,514,313		31,514,313
1997	5,992,494		5,992,494
1998	1,161,173	68,101,658	5,952,200
1999	1,987,810	116,583,229	10,189,573
2000	7,689,924	450,538,657	39,385,850
TOTAL	**96,554,000**	**635,223,544**	**141,242,716**

Notes

(p) Partial payment

1. RoE—Rate of Exchange: According to financial rule 110.7, all UNIDO transactions, in currencies other than United States dollars, shall be recorded at the official rate of exchange established by the United Nations between the dollar and the other currencies.

2. Voting rights of 67 Member States have been suspended.

3. In accordance with General Conference resolution GC/S.1/Res.1, the Federal Republic of Yugoslavia (Serbia and Montenegro) cannot continue automatically the membership of the former Socialist Federal Republic of Yugoslavia in UNIDO.

4. Member State of UNIDO until 31 December 1996.

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12 April 2000

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-second session
Vienna, 30-31 May 2000
Item 7 of the provisional agenda

IMPLEMENTATION OF RESOLUTION GC.8/RES.3 ON SUSTAINABLE INDUSTRIAL DEVELOPMENT

Report by the Director-General

Introduction

1. In a communication dated 6 March 2000, the Permanent Mission of Morocco requested the inclusion of the above item in the agenda of the forthcoming session of the Board. That communication is reproduced in its entirety in annex I to the present document. The explanatory statement is contained in annex II.

ACTION TAKEN TO IMPLEMENT RESOLUTION GC.8/RES.3

2. In response to the mandates contained in General Conference resolution GC.8/Res.3 on sustainable industrial development, the Secretariat has taken a number of actions.

3. At the initiative of some Member States, the Secretariat held discussions on 1 March 2000 with representatives of those Member States to discuss their specific priorities in the implementation of resolution GC.8/Res.3 and to attempt to formulate a common understanding of sustainable industrial development.

4. Secretariat meetings have been held to prepare a strategy on how to approach relevant organizations regarding technology transfer (World Intellectual Property Organization and United Nations Conference on Trade and Development) and sustainable industrial development (United Nations Environment Programme and United Nations Development Programme), particularly in light of UNIDO's ongoing activities with those organizations in the field of environment.

5. Together with National Cleaner Production Centres and Ministries of Industry, the Secretariat is promoting the World Bank handbook *Pollution Prevention and Abatement Handbook 1998*, to which UNIDO contributed, to ascertain the additional assistance needed in the area of norms and standards.

6. The Secretariat is in the process of preparing a funding strategy for the UNIDO/UNEP national cleaner production programme, which will assess the potential financial support from multilateral funding institutions. To date, the most extensive discussions have been held with the Inter-American Development Bank.

7. A more comprehensive report on the programme for the implementation of resolution GC.8/Res.3 will be issued to the Board at its twenty-third session.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.0053195 (E)

Distr.: 18 April 2000

Annex I

NOTE FROM THE PERMANENT MISSION OF MOROCCO

PERMANENT MISSION OF THE KINGDOM OF MOROCCO
TO THE INTERNATIONAL ORGANIZATIONS
VIENNA

Ref. I.A/AA/54

The Permanent Mission of the Kingdom of Morocco to the International Organizations in Vienna presents its compliments to the United Nations Industrial Development Organization and, with reference to Rule 11, paragraph 2, of the Rules of Procedure of the Industrial Development Board, has the honour to request it to kindly include in the agenda of the twenty-second session of the Industrial Development Board an additional item entitled "Report of the Director-General on the application of resolution GC.8/Res.3: Sustainable industrial development". An explanatory statement on the reasons for this request is attached to this note.

The Permanent Mission of the Kingdom of Morocco to the International Organizations in Vienna takes this opportunity to renew to UNIDO the assurances of its highest consideration.

Vienna, 6 March 2000

[*Stamp of the Mission*]

UNIDO
Vienna

Annex II

EXPLANATORY STATEMENT

The upheavals undergone in the world during the second half of the last century, whether those experienced generally in the economy or in the industrial field in particular, compelled UNIDO to reorient its industrial policy and to turn towards the promotion, in developing countries, of industrial growth attuned to the needs of the community and of the environment. This resulted in the promotion of the policy of "the three Es", i.e. the promotion of a competitive economy, productive employment and sound environment, otherwise known as "sustainable industrial development".

The eighth session of the General Conference, with the aim of emphasizing and reinforcing this reorientation, adopted resolution GC.8/Res.3 entitled "Sustainable Industrial Development", the purpose of which is to support the role played by UNIDO as a central coordinating agency within the United Nations system in the field of industry and to promote environmentally sustainable industrial development. The resolution also calls for the institution of closer collaboration between UNIDO and relevant international organizations, *inter alia* the World Intellectual Property Organization (WIPO), with a view to generating a transfer of environmentally sound technologies tailored to the needs of beneficiary Member States. It further invites Member States and international financial institutions, including the Montreal Protocol, to contribute to the adequate funding of UNIDO programmes on sustainable industrial development.

Accordingly, it is desirable that Member States focus on the measures taken with a view to implementation of resolution GC.8/Res.3 on the basis of a report prepared by the Director-General of UNIDO setting forth the initiatives already in that regard and those which are planned, both at the bilateral and multilateral levels and across the entire United Nations system. All these considerations form the basis of our request for the inclusion of this item in the agenda of the twenty-second session of the Industrial Development Board, to be held on 30 and 31 May 2000.

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14 April 2000

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-second session
Vienna, 30-31 May 2000
Item 8 of the provisional agenda

ESTABLISHMENT OF AN INTERNATIONAL CENTRE FOR SUSTAINABLE DEVELOPMENT

Report by the Director-General

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V.00-53302 (E)

Introduction

1. In a communication dated 31 March 2000, the Permanent Mission of Slovenia requested the inclusion of the present item in the agenda of the forthcoming session of the Board. That communication is reproduced in its entirety in annex II to the present document. The explanatory statement is contained in annex III.

I. BACKGROUND

2. Over the last 50 years the living standards in the developed countries have significantly increased, due to continued economic growth fed by important scientific breakthroughs. However, this rapid progress has also been accompanied by an intense exploitation of the world's natural resources and dangerously high levels of pollution of all the world's environmental media: the atmosphere, surface and ground waters, the soil, the biota. In the twenty-first century, globalization of world industry and markets will most likely produce a similarly rapid development of today's developing countries and transition economies. This is likely to place ever higher strains on the world's ecosystems with concomitant brakes on the rise of living standards of the developing countries and transition economies.

3. The unsustainability of these trends was recognized in 1992 at the United Nations Conference on Environment and Development (UNCED), which developed an overall programme of work (Agenda 21). That document argues that fundamental changes must be undertaken to lead countries towards sustainable development. The theme was taken up at the eighth session of the UNIDO General Conference, where in resolution GC.8/Res.3 the Conference recognized the role that UNIDO has to play in the field of sustainable industrial development and, *inter alia*, supported its role as a central coordinating agency within the United Nations system in the field of industry, with the objective of assisting developing countries and transition economies to achieve sustainable development through cleaner industrialization.

4. In order to succeed in moving countries towards sustainability, actions have to be undertaken in a wide variety of fields simultaneously. The purpose of establishing the international centre for sustainable development (ICSD) is to coordinate the actions of research and development (R and D) institutions of basic sciences, applied sciences and engineering in Central and Eastern Europe (CEE) as well as in the Newly Independent States (NIS), that are working in a variety of fields related to sustainable development. The basic problem that has to be solved is that the R and D community in the CEE and NIS countries is not yet fully aware that it has a very important role to play in bringing about sustainable development. As a consequence, the R and D institutions are not yet focusing their research programmes in any great way on themes explicitly of interest to sustainable development. This is complicated by the fact that the R and D community in the CEE and NIS countries does not have a mechanism for coordinating its efforts in the field of sustainable development, especially where sustainable development issues cut across several disciplines.

5. The centre will focus its efforts on the CEE and NIS countries because, as countries emerging from a common historical background of centrally planned economies, they pose similar challenges to the drive to reach sustainable development. The central planning era has left these countries with an industrial base that is outdated and very inefficient in its use of energy and natural resources. Enterprises are often badly sited for serving their new markets and/or bringing to them the raw materials that they need. At the same time, because of such bad location, they are impacting severely their local ecosystems and human populations. Product quality still has much room for improvement, and these countries' human resources often lack the skills to function effectively in an environment oriented towards the free market. Finally, these countries often lack the financial capacity to upgrade their industrial processes while being pressed by a population that demands to see rapid rises in their standards of living.

6. The Government of Slovenia strongly supports the establishment of ICSD. It believes that important synergies can be obtained if the region's R and D efforts in the field of sustainable development are harmonized and coordinated. It also believes that such coordination of efforts will be doubly valuable if there is a focus on the unique set of obstacles which all the countries of the region face on the path to sustainable development—obstacles linked primarily to their common heritage of economic development within a central planning mechanism. The Government of Slovenia further believes that there are important advantages from locating ICSD in Slovenia itself. The country's experience with centrally planned and socialist self-managed economies, as well as with socialist political systems, makes it an excellent basis from which to address the issues of sustainable development in all the countries of the region. At the same time, Slovenia has a vibrant scientific and technological potential, recognized throughout the region, which the R and D community is ready to bring to bear on the problems of sustainable development. Slovenia is also one of the economically most advanced countries in the CEE and NIS region and one of the first invited by the European Union to start the process of accession. As a result, the Government of Slovenia is ready to fund the establishment of ICSD.

II. PREPARATORY PHASE

7. It was recognized that the concept underlying ICSD was so novel that some important initial work was required to ensure its long-term sustainability. One important issue stems from the need for the centre's work to be based on a multi- and interdisciplinary approach involving research and development in many different fields. Careful preparation was therefore required to ensure the creation of mechanisms that would lead to a harmonious coordination of these various disciplines. Another important issue is the regional dimension of the centre. Once again, careful preparation was required to ensure that mechanisms were created that would take full advantage of the whole region's activities in these fields.

8. A one-year preparatory phase was therefore initiated in July 1999, funded by the Government of Slovenia, that would provide for the transition from the definition stage to the actual establishment and operation. The preparatory activities were to develop the terms of reference of the centre and its initial work programme, develop the centre's business plan, identify operational modalities, establish and deepen the contacts with the relevant institutions in the other countries in the region, verify the utility of the proposed activities, and in general lay the basis for its establishment as a centre of excellence.

9. Feedback for the preparatory activities was received through three meetings on the subject of sustainability. A first meeting, the regional European meeting on the transition to sustainability, was held in June 1999. A second was held in December 1999 on sustainable development policy and economic growth in CEE countries. A third meeting, the regional ministerial conference on science, technology, education—the cornerstones for sustainable development, will be held in May 2000.

10. The Government of Slovenia brought the concept of ICSD to the attention of the members of the Industrial Development Board at its twenty-first session in 1999 (IDB.21/SR.3, para. 54). The idea was also reflected in the documentation for the eighth session of the General Conference (GC.8/13, para. 9).

11. Representatives of the Government of Slovenia have met with their counterparts in other countries in the region. Letters of support for the centre have been received from the authorities of Bosnia and Herzegovina, Croatia and the former Yugoslav Republic of Macedonia, while other such letters have been received from R and D institutions in the Russian Federation. Furthermore, the idea was presented by the Government of Slovenia at the Conference of Ministers of Science held in October 1999 in Brno, Czech Republic, where it met with positive reactions from the Czech Republic, Hungary, Poland and Slovakia.

12. Working contacts were established between the founding institutions in Slovenia and the International Centre for Science and High Technology (ICS) in Trieste, Italy. The purpose of the contacts was to create long-term cooperative arrangements between ICS and the future ICSD, to maximize synergy and coordinate work programmes in order to optimize the results of both centres and avoid overlap.

III. ESTABLISHMENT OF THE CENTRE

13. The preparatory activities are now drawing to a close and the bulk of the planned outputs completed. The activities have confirmed the essential role that ICSD can play in coordinating R and D activities in the basic and applied sciences and engineering within the CEE and NIS countries. They have also confirmed the need for the continued involvement of UNIDO in its establishment and operation. To adequately infuse these R and D activities with the concepts of sustainable development, and to generate voluntary contributions and financial support from the CEE and NIS countries, it is considered essential for the centre to be under the auspices of UNIDO.

14. The scope of this project is fully consistent with five of UNIDO's service modules: environmental policy framework, cleaner production, energy efficiency, renewable energy development, and pollution control and waste management. In addition, many of the activities coordinated through the centre will be consistent with elements of other service modules: upgrading agro-industries and related technical skills (R and D related to more efficient and effective processing of crops), continuous improvement and quality management (R and D related to increasing productivity and production efficiency), industrial strategies and policies (research related to industrial policy and strategy for sustainable development is being covered), and investment and technology promotion (development and promotion of environmentally sustainable technologies).

15. In light of the foregoing, it is opportune to consider the arrangements for establishment of the centre. Its long-term objective is to become a world-leading provider of knowledge and experience for sustainable development, with a particular emphasis on the CEE and NIS region. The centre's proposed business and organizational structures are based on the vision of a nodal point working in close cooperation with participating R and D institutions and "national focal points for sustainable

development" to be created by participating Governments. This dynamic networked process will be capable of achieving maximum impact on the sustainable development of the CEE and NIS regions with the minimum cost.

16. The centre will undertake the following activities in its first years:

(a) **Project implementation and coordination**: ICSD will coordinate the work programmes of participating institutions in a number of fields where R and D is interrelated on the theme of sustainable development, providing assistance in project preparation and implementation, and providing support in project administration;

(b) **Information dissemination**: Building on the need of the countries in the region to harmonize their laws with European Union directives, in particular the Directive on Integrated Prevention and Pollution Control (IPPC), ICSD will coordinate efforts of participating institutions to identify best available technologies (BAT), will formulate pilot projects in selected industrial branches, and will establish industrial harmonization and IPPC relay centres—initially in Croatia and the former Yugoslav Republic of Macedonia and later in other countries, and will maintain an IPPC clearing house for best available technologies;

(c) **Capacity-building**: Together with participating institutions, ICSD will support specialized courses in sustainable development for SMEs, workshops for government employees, a graduate programme in sustainable development management, and other activities to stimulate public dialogue;

(d) **Cooperation with national focal points for sustainable development**: The centre will closely cooperate with national focal points for sustainable development as these are established in the CEE and NIS countries.

17. The centre will be located in Ljubljana, Slovenia. It will be run by a director and composed initially of two more staff, and it will report to a steering committee. The steering committee will be composed of two representatives of UNIDO and representatives of the Governments participating in the centre (initially Slovenia). In turn, the steering committee will report to the Director-General of UNIDO. The centre and steering committee will be assisted by an international science council, whose membership will be composed of representatives of the institutions participating to the centre's work, representatives of the financial community and representatives of the industrial community.

18. The steering committee will make recommendations to the Director-General on the nominations for the centre director, and will review and adopt the annual work programme and budget of the centre, prior to their submission to the Director-General of UNIDO for his approval. Furthermore, the steering committee will assist the centre to maintain cooperative arrangements with the responsible authorities and institutions in the European Union and NIS countries. The international science council will make recommendations on the annual work programme of the Centre. At UNIDO Headquarters, the Cleaner Production and Environmental Management Branch of the Sectoral Support and Environmental Sustainability Division will have an overall supervisory role, in particular to ensure that the centre coordinates its activities with other projects of UNIDO concerned with sustainable development.

19. The major beneficiaries of the work of the centre would be:

(a) Institutions throughout the region that are involved in research and development in pure and applied sciences and engineering with a focus on sustainable development;

(b) Small and medium-sized enterprises, particularly in the region, which would obtain knowledge of, and access to, sustainable industrial processes;

(c) National, subregional and municipal administrations, which would obtain knowledge of the policies and strategies they should pursue to promote sustainable development, and the tools to do this;

(d) National and international non-governmental organizations involved in sustainable development capacity-building and knowledge dissemination, which would find a partner in the centre.

20. The development of international centres as institutions of excellence is very much dependent on the cooperation of the scientific and technological community, and on donor support. The centre would be funded from voluntary contributions to UNIDO for that purpose, as well as from donations from Governments or institutions on a project basis. The foregoing considerations have been kept in mind in discussions with the representatives of Slovenia, who have indicated that, in order to give the centre its basic operating funds, the Government will reserve in its budget the amount of $250,000 annually for the period 2001 to 2005. These funds will be made available through a voluntary contribution of the Government to the UNIDO Industrial Development Fund for the purpose.

21. With regard to the constitutional mandate of UNIDO, it is proposed that the centre will be established within the legal framework of UNIDO. The institutional structure that is proposed for discussions with the Government of Slovenia is shown in annex I to the present document.

IV. ACTION REQUIRED OF THE BOARD

22. The Industrial Development Board is invited to consider the following draft decision:

"The Industrial Development Board:

"(a) Recalls that Article 1 of the Constitution of UNIDO states, *inter alia*, that the Organization shall also promote industrial development and cooperation on the regional level;

"(b) Takes note of the report of the Director-General on the initial proposal of the Government of Slovenia for the establishment of an international centre for sustainable development (IDB.22/10);

"(c) Decides that in accordance with paragraph 3 of Article 7 of the Constitution of UNIDO an international centre for sustainable development shall be established at Ljubljana, Slovenia, as a subsidiary organ of the Board, within the legal framework of UNIDO. The centre shall be financed exclusively by voluntary contributions to UNIDO, and shall have the proposed institutional structure as stated in the annex to document IDB.22/10. The purpose of establishing the international centre for sustainable development is to coordinate the actions in the field of industry of research and development institutions in Central and Eastern Europe as well as in the Newly Independent States that are working in a variety of fields related to sustainable development in the field of industry;

"(d) Requests the Director-General to conclude an agreement with the Government of Slovenia for the establishment and long-term operation of the centre;

"(e) Calls upon the Director-General to ensure that due regard to the principle of equitable geographical representation among contributing States shall be given in the composition of the steering committee and international science council of the centre;

"(f) Calls upon the Director-General to report on the activities of the centre regularly to the Industrial Development Board;

"(g) Invites the General Conference at its ninth session to take note of the present decision."

Annex I

PROPOSED INSTITUTIONAL STRUCTURE

General

1. The centre will be financed from voluntary contributions to be made to UNIDO for the purpose, as well as from donations from Governments or institutions on a project basis. No expenditure may be charged to the UNIDO regular budget except to the extent that the regular budget is reimbursed for such expenditures. To reimburse administrative and other support costs by the UNIDO Secretariat, the Director-General shall determine the overhead rate at which expenditures for centre activities shall be charged. Provision shall also be made for reserves for the liquidation of claims from staff of the centre and from third parties.

2. The Government of Slovenia and UNIDO shall conclude the necessary agreements defining the objectives, the financial contributions of the Government of Slovenia, and the legal status of the centre and providing privileges and immunities, exemptions and benefits at a level comparable to that provided to other agencies of the United Nations. The agreement shall be concluded without delay in order to enable UNIDO to implement the institutional structure set out herein.

3. The centre will be located in Ljubljana, Slovenia.

Director-General

4. The Director-General of UNIDO shall be the chief administrative officer of the centre in accordance with Article 11 of the Constitution of UNIDO. In that capacity he shall ensure that the centre is administered in accordance with the Financial and Staff Regulations and Rules of UNIDO and he may, as necessary, issue special rules and administrative instructions or circulars for the centre. The Director-General shall appoint the director and other staff of the centre in accordance with the staff regulations and Staff Rules of UNIDO.

Director of the centre

5. Subject to the authority of the Director-General of UNIDO as chief administrative officer, the director shall be responsible for the management and administration of the centre. He shall prepare the work programme and budget of the centre, having considered the recommendations of the international science council, and he shall modify the business plan of the centre if and where necessary.

Steering committee

6. A steering committee will be composed of representatives of Governments of participating countries (initially three representatives of the Government of Slovenia), and two representatives of UNIDO appointed by the Director-General. The steering committee shall review and agree on the draft annual work programme and budget of the centre, as well as the business plan of the centre if modified, prior to their submission to the Director-General of UNIDO for his approval. For its review, the steering committee shall take into account the recommendations of the international science council, the amount of resources available from donors and the priorities attached by them to the different activities of the centre. Where requested to do so by the Director-General, the steering committee will oversee modifications to the work programme, budget and revised business plan submitted to him. The steering committee will also make recommendations to the Director-General on the nominations of the centre director.

International science council

7. The Director-General of UNIDO will constitute an international science council, whose membership will be composed of representatives of the institutions participating in the work of the centre, of the financial community and of the industrial community. The Director-General of UNIDO, taking into consideration the proposals of the steering committee and the Director, shall choose the members of the international science council. The council will advise on the centre's work, normally meeting at least once a year. In particular, the council will review the draft work programme and budget and make its recommendations thereon.

Programme and budget

8. The Director-General of UNIDO will establish under the financial regulations and financial rules of UNIDO a trust fund for the purpose of the centre.

9. Five-year projections of the centre's overall programme and budget shall be made and shall be extended biennially for five-year periods, following the budget cycles of UNIDO. Yearly, the projections will be turned into annual work programmes and budgets. Donor commitments shall be made on the basis of these annual budgets, although they can be made on the basis of the five-year projections. Payments shall be made on at least a yearly basis.

Annex II

NOTE FROM THE PERMANENT MISSION OF SLOVENIA

VELEPOSLANIŠTVO REPUBLIKE
SLOVENIJE
BOTSCHAFT DER REPUBLIK
SLOWENIEN
Nibelungengasse 13/III 1010 Wien
Tel. 586 13 06, 586 13 07, Fax 586 12 65

No. 139/00

NOTE VERBALE

The Permanent Mission of the Republic of Slovenia to the United Nations Industrial Development Organization in Vienna presents its compliments to the United Nations Industrial Development Organization and, with reference to Rule 11, paragraph 2, of the Rules of Procedure of the Industrial Development Board, has the honour to request it to kindly include in the agenda of the twenty-second session of the Industrial Development Board an additional item entitled "Establishment of an International Centre for Sustainable Development". An explanatory statement on the reasons for this request is attached to this note.

The Permanent Mission of the Republic of Slovenia avails itself of this opportunity to renew to the United Nations Industrial Development Organization in Vienna the assurances of its highest consideration.

Vienna, 31 March 2000

[*Seal of the Permanent Mission of Slovenia*]

To the
United Nations Industrial Development Organization
VIENNA

Annex III

EXPLANATORY STATEMENT

In responding to demand and development priorities of member countries and in consistency with the Business Plan, UNIDO's new focuses have been placed *inter alia* on the transition economy countries in the region of Central and Eastern Europe and the newly independent States. In rapid globalization, only countries that have advanced in their transition to a market economy are beneficiaries of that process. Nevertheless, with their insight understanding of the problems and, equally important, with their own growing strength, there is a basis for a cooperative shift towards new, active solutions.

Since sustainable development, with its numerous and far-reaching aspects, is a vital element of strengthening efforts of UNIDO with its role as a central coordinating agency within the United Nations system in the field of industry and in promoting environmentally sustainable industrial development, the importance of knowledge and experience for sustainable development with a particular emphasis on the CEE and NIS region, is imminent. Thus, a dynamic, networked, process-based approach, capable of achieving the maximum impact on sustainable development of the region with the minimum cost, is needed.

Recalling the information delivered by the Slovenian delegation during the twenty-first session of the Industrial Development Board (IDB.21/SR.3), recalling the report by the Director-General on the implementation of the Business Plan in Europe and NIS during the eighth session of the General Conference (GC.8/13) and bearing in mind the finalizing stage of the joint project by Slovenia in cooperation with UNIDO, an international centre for sustainable development in Slovenia would provide the tool, ensured in its work programme and budget, to cope with actual dynamism in the CEE and south-east Europe.

Accordingly, it is desirable that Member States would account the active needs in the field of sustainable development in the region. With all above-mentioned considerations, this forms the basis of our request for the inclusion of this item in the agenda of the twenty-second session of the Industrial Development Board, to be held on 30 and 31 May 2000.

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Twenty-second session
Vienna, 30-31 May 2000
Item 8 of the provisional agenda

ESTABLISHMENT OF AN INTERNATIONAL CENTRE FOR SUSTAINABLE DEVELOPMENT

Report by the Director-General

Addendum

1. Subsequent to the issuance of document IDB.22/10, informal discussions were held with representatives of the Permanent Mission of Slovenia and other interested Member States. The present addendum has been prepared to clarify certain issues regarding the scope and funding of the proposed centre.

2. In line with the Constitution of UNIDO, the activities of the centre will focus on sustainable industrial development. Therefore, all references in document IDB.22/10 to "sustainable development" should read "sustainable industrial development". In particular, in relation to paragraph 16 of document IDB.22/10 concerning the activities in its first years, the centre will: coordinate the work programmes of participating institutions in fields interrelated with sustainable industrial development; support specialized courses in sustainable industrial development, *inter alia*, for small and medium enterprises (SMEs) and government employees; and cooperate with national focal points for sustainable industrial development as these become established. Also, the title of the centre will be the international centre for sustainable industrial development (ICSID). Finally, in the draft decision (IDB.22/10, para. 22), the phrase "sustainable development" should be modified in every case to read "sustainable industrial development".

3. While at least in its initial years the centre will focus on Central and Eastern Europe (CEE) as well as the Newly Independent States (NIS), the centre's activities will be open to all developing countries that wish to take part. Thus, in relation in particular to paragraph 19 of document IDB.22/10, the major beneficiaries of the work of the centre will be research and development institutions, SMEs, public administrations and non-governmental organizations in the CEE and NIS region in the first instance, but also those in all interested developing countries. Paragraph (c) of the draft decision should be amended accordingly. In addition, in line with paragraph (e) of the draft decision, it should be clarified that membership in the steering committee and international science council (annex I, paras. 6 and 7) will be open to all participating developing countries.

4. In paragraph 20 of document IDB.22/10 it is to be clarified that the centre will be funded by voluntary contributions to UNIDO through the Industrial Development Fund or through trust fund agreements, or with donations on a project basis from Governments or institutions through the same mechanisms. Therefore, in paragraph (c) of the draft decision the phrase "by voluntary contributions to UNIDO" should be completed with the phrase "through the Industrial Development Fund or trust funds".

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5. In light of the above, the text of the draft decision in document IDB.22/10 (para. 22) has been modified as shown below. Discussions are ongoing with regard to other elements of the document and draft decision, in particular with respect to the action required of the Board (paragraph (d) of the draft decision). The alternatives currently under consideration are indicated.

"The Industrial Development Board:

"(a) Recalls that Article 1 of the Constitution of UNIDO states, *inter alia*, that the Organization shall also promote industrial development and cooperation at the regional level;

"(b) Takes note of the report of the Director-General on the initial proposal of the Government of the Republic of Slovenia for the establishment of an international centre for sustainable industrial development (IDB.22/10);

"(c) Decides that in accordance with paragraph 5 of Article 7 of the Constitution of UNIDO an international centre for sustainable industrial development shall be established at Ljubljana, Slovenia, as a subsidiary organ of the Board, within the legal framework of UNIDO. The centre shall be financed exclusively by voluntary contributions to UNIDO through the Industrial Development Fund or trust funds. [*Possible addition*: Initially the centre shall be financed with a minimum amount of $250,000 per year as a voluntary contribution of the Government of Slovenia to the Industrial Development Fund or a trust fund]. The centre shall have the proposed institutional structure as stated in the annex to document IDB.22/10. The purpose of establishing the international centre for sustainable industrial development is to coordinate the actions of research and development in the field of industry that are working in a variety of fields related to sustainable development. The regional orientation of the centre will be in accordance with paragraph 3 of document IDB.22/10/Add.1;

[*Alternative 1* "(d) Requests the Director-General to conclude the agreement with the Government of Slovenia for the establishment and long-term operation of the centre;]

[*Alternative 2* "(d) Requests the Director-General to pursue the negotiations on the agreement with the Government of Slovenia for the establishment of the centre and to report on it to the twenty-fourth session of the Industrial Development Board;]

[*Alternative 1* "(e) Calls upon the Director-General to ensure that due regard to the principle of equitable geographical representation among contributing States shall be given in the composition of the steering committee and international science council of the centre;]

[*Alternative 2* delete paragraph (e)]

[*Alternative 1* "(f) Calls upon the Director-General to report on the activities of centre regularly to the Industrial Development Board;]

[*Alternative 2* delete paragraph (f)]

[*Alternative 1* "(g) Invites the General Conference at its ninth session to take note of the present decision."]

[*Alternative 2* delete paragraph (g)]